西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

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

(Stock Code: 2233)

2022 ANNUAL RESULTS ANNOUNCEMENT, PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

Financial highlights:

RMB' Million (unless otherwise specified)	**Year ended 31 December 2022 (million)**	Year ended 31 December 2021 (million)	% Change
Total Cement and Clinker Sales Volume (million tons)	**19.3**	20.3	(4.9%)
Cement Sales Volume (million tons)	**18.5**	19.9	(7.0%)
Aggregates Sales Volume (million tons)	**4.61**	4.40	4.8%
Commercial Concrete sales volume (million cubic meters)	**1.74**	1.34	29.9%
Revenue	**8,489.1**	8,002.8	6.1%
Gross Profit	**2,181.8**	2,376.6	(8.2%)
EBITDA(1)	**3,146.6**	3,194.8	(1.5%)
Profit Attributable to Owners of the Company	**1,214.7**	1,585.1	(23.4%)
Basic Earnings Per Share	**22.4 cents**	29.1 cents	(23.0%)
Proposed Final Dividend	**6.7 cents**	8.7 cents	(23.0%)
Gross Profit Margin	**25.7%**	29.7%	(4.0 ppt)
EBITDA Margin	**37.1%**	39.9%	(2.8 ppt)

	31 December 2022	31 December 2021	% Change
Total Assets	**30,239.3**	26,648.4	13.5%
Net Debt[(2)]	**7,487.1**	4,990.4	50.0%
Net Gearing[(3)]	**55.9%**	42.3%	13.6 ppt
Net Assets Per Share	**246 cents**	217 cents	13.4%

Notes:

(1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, impairment losses and fair value changes less interest income, net foreign exchange gains/(losses) and gain on disposal of an associate.

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

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

The board ("Board") of directors ("Directors") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 together with the comparative figures for the corresponding year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*2*	**8,489,135**	8,002,791
Cost of sales		**(6,307,305)**	(5,626,224)
Gross profit		**2,181,830**	2,376,567
Other income	*3*	**451,912**	252,958
Selling and marketing expenses		**(75,197)**	(74,499)
Administrative expenses		**(604,845)**	(554,316)
Other expenses		**(64,937)**	(24,326)
Other gains and losses, net	*4*	**(52,454)**	386,608
Impairment losses under expected credit loss model, net of reversal	*5*	**(68,885)**	(189,450)
Share of result of an associate		**–**	1,904
Share of result of a joint venture		**(6,407)**	(190)
Interest income	*6*	**168,898**	169,416
Finance costs	*7*	**(416,616)**	(261,081)
Profit before tax	*8*	**1,513,299**	2,083,591
Income tax expense	*9*	**(169,184)**	(300,639)
Profit for the year		**1,344,115**	1,782,952

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

For the year ended 31 December 2022

	NOTES	**2022** **RMB'000**	2021 *RMB'000*
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(35,713)**	88,630
Total comprehensive income for the year		**1,308,402**	1,871,582
Profit for the year attributable to:			
— Owners of the Company		**1,214,746**	1,585,070
— Non-controlling interests		**129,369**	197,882
		1,344,115	1,782,952
Total comprehensive income attributable to:			
— Owners of the Company		**1,190,988**	1,640,021
— Non-controlling interests		**117,414**	231,561
		1,308,402	1,871,582
Earnings per share			
— Basic (RMB)	*10*	**0.224**	0.291
— Diluted (RMB)	*10*	**0.224**	0.291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**18,195,355**	13,884,979
Investment properties		**47,059**	–
Right-of-use assets		**827,334**	823,707
Mining rights		**1,528,031**	1,117,095
Other intangible assets		**543,560**	232,195
Interest in a joint venture		**3,403**	9,810
Equity investment at fair value through profit or loss ("FVTPL")		**92,593**	162,181
Loan receivables	*11*	**401,847**	323
Deferred tax assets		**190,639**	92,463
Prepayments for right-of-use assets		**38,511**	58,506
Prepayments for mining rights		**9,500**	9,500
Deposits paid for acquisition of property, plant and equipment		**858,013**	317,301
Deposits paid for acquisition of subsidiaries		**–**	404,200
Deposits paid for acquisition of an associate		**–**	164,257
Other deposits		**18,472**	2,884
Amount due from a joint venture		**634,827**	534,064
		23,389,144	17,813,465
Current assets			
Inventories		**1,488,858**	1,111,169
Trade and other receivables and prepayments	*12*	**2,990,695**	2,497,218
Loan receivables	*11*	**324,654**	1,004,581
Investment in entrusted product		**–**	81,855
Pledged/restricted bank deposits		**621,627**	632,348
Cash and cash equivalents		**1,424,275**	3,507,715
		6,850,109	8,834,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*

At 31 December 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Current liabilities			
Borrowings	*13*	**3,156,533**	2,725,704
Medium-term notes		**714,431**	524,132
Trade and other payables	*14*	**4,877,402**	3,788,985
Dividend payables		**88,410**	8,000
Contract liabilities		**453,687**	257,925
Deferred income		**3,527**	320,995
Income tax payable		**181,006**	108,877
		9,474,996	7,734,618
Net current (liabilities) assets		**(2,624,887)**	1,100,268
Total assets less current liabilities		**20,764,257**	18,913,733
Non-current liabilities			
Borrowings	*13*	**1,457,917**	1,291,488
Medium-term notes	*15*	**–**	712,284
Asset retirement obligation		**335,693**	337,043
Deferred tax liabilities		**459,456**	83,783
Deferred income		**28,254**	27,771
Senior notes	*16*	**4,204,158**	3,876,911
Other long-term payables		**887,028**	792,826
		7,372,506	7,122,106
Net assets		**13,391,751**	11,791,627
Capital and reserves			
Share capital		**141,837**	141,837
Share premium and reserves		**11,889,516**	11,171,711
Equity attributable to owners of the Company		**12,031,353**	11,313,548
Non-controlling interests		**1,360,398**	478,079
Total Equity		**13,391,751**	11,791,627

NOTES:

(All amounts in RMB thousands unless otherwise stated)

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. REVENUE AND SEGMENT INFORMATION

	2022	2021
	RMB'000	*RMB'000*
Types of products and services		
Sales of cement and related products	**8,153,177**	7,771,971
Provision of construction and installation service	**93,882**	9,753
Sales of plastics bags	**54,665**	24,628
Trading of cement-related raw materials	**17,220**	45,218
Others	**170,191**	151,221
	8,489,135	8,002,791

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, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

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

2. REVENUE AND SEGMENT INFORMATION — *Continued*

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.

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 2022

	The PRC *RMB'000*	Overseas *RMB'000*	Total *RMB'000*	Adjustments and eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE					
External sales	**7,356,220**	**1,132,915**	**8,489,135**	**–**	**8,489,135**
Inter-segment sales	**144,440**	**–**	**144,440**	**(144,440)**	**–**
Total	**7,500,660**	**1,132,915**	**8,633,575**	**(144,440)**	**8,489,135**
SEGMENT PROFIT	**1,566,950**	**341,419**	**1,908,369**	**–**	**1,908,369**
Share of result of a joint venture					**(6,407)**
Fair value change on equity instrument at FVTPL					**(69,588)**
Dividend income from equity investment at FVTPL					**2,956**
Unallocated directors' emoluments					**(9,537)**
Unallocated central administrative costs					**(181,401)**
Unallocated legal and professional expenses					**(28,695)**
Unallocated finance costs on senior notes					**(102,398)**
Profit before tax					**1,513,299**

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(i) Segment revenue and results — Continued

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of share of results of an associate and a joint venture, fair value change/dividend income on equity investment at FVTPL, 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.

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(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.

(iii) Other segment information

For the year ended 31 December 2022

	The PRC *RMB'000*	**Overseas** *RMB'000*	**Consolidated** *RMB'000*
Depreciation and amortisation			
— property, plant and equipment	**1,005,777**	**219,906**	**1,225,683**
— right-of-use assets	**18,200**	**66**	**18,266**
— mining rights	**41,784**	**–**	**41,784**
— other intangible assets	**3,754**	**411**	**4,165**
Impairment loss recognised in profit or loss in respect of:			
— loan receivables	**53,038**	**–**	**53,038**
— trade and other receivables	**13,879**	**1,968**	**15,847**
Loss (gain) on disposal of property, plant and equipment	**12,569**	**(855)**	**11,714**
Gain on disposal of right-of-use assets	**(58)**	**–**	**(58)**
(Reversal) write-down of inventories	**(104)**	**3,118**	**3,014**

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)

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Geographical Information

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

	2022	2021
	RMB'000	*RMB'000*
The PRC	**7,356,220**	7,520,301
Africa	**1,130,732**	445,355
Others	**2,183**	37,135
	8,489,135	8,002,791

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

	2022	2021
	RMB'000	*RMB'000*
The PRC	**12,442,580**	12,860,695
Africa	**9,494,177**	4,134,829
Others	**114,009**	26,026
	22,050,766	17,021,550

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2022 and 2021.

3. OTHER INCOME

	2022 *RMB'000*	2021 *RMB'000*
Tax refund *(Note a)*	**99,253**	199,682
Government grant, including release from deferred income *(Note b)*	**349,703**	50,212
Dividend income from equity investment at FVTPL	**2,956**	3,032
Others	**–**	32
	451,912	252,958

Notes:

(a) 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.

(b) Included in the government grant represented an amount of RMB308,482,000 (2021: nil) subsidy received as a result of demolition work of the Group's existing manufacturing plant located in the city.

4. OTHER GAINS AND LOSSES, NET

	2022 *RMB'000*	2021 *RMB'000*
Fair value change on investment in entrusted product	**5,736**	5,600
Fair value change on equity instrument at FVTPL	**(69,588)**	3,380
Net foreign exchange gain *(Note a)*	**37,058**	292,598
Loss on disposal of property, plant and equipment	**(11,714)**	(5,758)
Net gain on disposal of right-of-use assets *(Note b)*	**58**	–
Gain on disposal of an associate	**–**	79,254
Others	**(14,004)**	11,534
	(52,454)	386,608

Notes:

(a) The amounts during the years ended 31 December 2022 and 2021 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.

(b) During the year ended 31 December 2022, a subsidiary of the Group is approached by the local government in Lantian, the PRC, to return the leasehold land. The subsidiary received the government compensation in return and resulted in a net disposal gain of RMB58,000.

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

	2022	2021
	RMB'000	*RMB'000*
Impairment losses recognised (reversed) on:		
— trade receivables	**17,993**	101,676
— loan receivables	**53,038**	88,459
— other receivables	**(2,146)**	(685)
	68,885	189,450

6. INTEREST INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income from:		
— loan receivables	**107,356**	157,553
— amount due from a joint venture	**36,120**	–
— bank deposits	**25,422**	11,863
	168,898	169,416

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on:		
— bank loans	**180,038**	189,458
— other long-term payables	**51,338**	–
— senior notes	**209,780**	99,671
— medium-term notes	**64,515**	90,074
	505,671	379,203
Less: amount capitalised	**(110,335)**	(135,018)
	395,336	244,185
Unwinding of discount	**21,280**	16,896
	416,616	261,081

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 4.93% (2021: 5.40%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation and amortisation:		
— Depreciation of property, plant and equipment	**1,225,683**	1,026,560
— Depreciation of right-of-use assets	**18,266**	27,115
— Amortisation of mining rights	**41,784**	27,464
— Amortisation of other intangible assets	**4,165**	3,679
Total depreciation and amortisation	**1,289,898**	1,084,818
Recognised in cost of sales	**(240,775)**	(103,024)
Capitalised in inventories	**(938,666)**	(896,456)
	110,457	85,338
Staff costs (including directors' emoluments):		
— Salaries and allowances	**719,334**	722,338
— Retirement benefits	**57,228**	54,497
Total staff costs	**776,562**	776,835
Recognised in cost of sales	**(62,435)**	(21,134)
Capitalised in inventories	**(352,094)**	(402,120)
	362,033	353,581
Research and development costs recognised as an expense (included in cost of sales)	**380,304**	341,896
Impairment loss on:		
— mining rights (included in cost of sales)	**–**	20,803
— property, plant and equipment (included in cost of sales)	**–**	96,346
Auditors' remuneration	**4,150**	3,397
Cost of inventories recognised as expenses	**5,620,777**	5,044,722
Write-down (reversal) of inventories	**3,014**	(1,701)
Donations (included in other expenses)	**6,464**	6,812
Legal and professional fees (included in other expenses)	**28,695**	17,514
Provision for administrative penalty (included in other expenses) *(Note)*	**29,778**	–

8. PROFIT BEFORE TAX — *Continued*

Note: On 29 June 2022, the Group had received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group is ordered to pay a penalty that is calculated based on a percentage of the total sales in the region during such period. The directors of the Company determined that the penalty order made by SXAMR was unjustified and the Group has filed an appeal to the State Administration for Market Regulation ("SAMR") against the original order in September 2022. On 9 October 2022, the Group withdrawn the appeal to SAMR and SAMR agreed to continue to arbitrate the dispute between the Group and SXAMR. As at the date of this announcement, the arbitration is still progress.

Considering the abovementioned developments, the Group had made a provision of approximately RMB29,778,000 in relation to the administrative penalty for the year ended 31 December 2022, which represented the management's best estimate that an outflow of resources embodying economic benefits will be required to settle the obligation.

9. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**236,688**	266,055
Withholding tax	**56,000**	67,294
	292,688	333,349
(Over) under provision in prior years:		
PRC EIT	**(13,981)**	11,998
Deferred tax		
Current year	**(109,523)**	(44,708)
Income tax expense	**169,184**	300,639

10. EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Profit for the year		
Profit for the year for the purposes of basic and diluted earnings per share	**1,214,746**	1,585,070

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,438,883**	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	**3,026**	6,344
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,441,909**	5,445,227

The computation of diluted earnings per share in 2021 and 2022 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both years.

11. LOAN RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Loans collateralised by property, plant and equipment *(Note a)*	**526,776**	605,590
Entrusted loan *(Note b)*	**–**	100,000
Loans collateralised by receivables *(Note b)*	**427,800**	449,800
Small loans *(Note c)*	**24,739**	49,290
	979,315	1,204,680
Less: Allowance for credit losses	**(252,814)**	(199,776)
	726,501	1,004,904
Analysed as:		
Current	**324,654**	1,004,581
Non-current	**401,847**	323
	726,501	1,004,904

11. LOAN RECEIVABLES — *Continued*

Notes:

(a) As at 31 December 2022 and 2021, 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 shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and

(iii) 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:

	2022 ***RMB'000***	2021 *RMB'000*
Within one year	**324,654**	1,004,581
In more than one year but not more than two years	**401,847**	323
	726,501	1,004,904

The ranges of effective rates on the Group's loan receivables was 8% to 15% (2021: 10% to 15%) per annum as at 31 December 2022.

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

During the year ended 31 December 2022, the Group had agreed to extend the loan maturity date with certain borrowers and the corresponding borrowings had been reclassified and presented as non-current. As at 31 December 2022, carrying amount of loan receivables of RMB629,660,000 (net of allowance of RMB247,986,000) (2021: RMB872,012,000, net of allowance of RMB196,341,000) were considered past due despite the extension of repayment due date.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,254,034**	1,155,025
Trade receivables backed by bills	**463,468**	489,119
	1,717,502	1,644,144
Less: Allowance for credit losses	**(179,659)**	(162,652)
	1,537,843	1,481,492
Other receivables *(Note)*	**738,405**	367,083
Less: Allowance for credit losses	**(846)**	(3,724)
	737,559	363,359
VAT recoverable	**440,077**	433,677
VAT refund receivable	**22,205**	37,401
Prepayments to suppliers	**271,483**	184,173
	3,009,167	2,500,102
Less:		
Non-current portion of other deposits (included in "Other receivables" above)	**(18,472)**	(2,884)
	2,990,695	2,497,218

Note: Included in other receivables represented balances of approximately RMB337,261,000 (2021: RMB38,891,000) due from non-controlling interests of subsidiaries.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB1,256,274,000.

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

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

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.

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**552,685**	468,259
91 to 180 days	**230,693**	174,718
181 to 360 days	**173,541**	247,991
361 to 720 days	**180,156**	204,480
Over 720 days	**116,959**	59,577
	1,254,034	1,155,025

As at 31 December 2022, total bills received amounting to RMB243,240,000 (2021: RMB310,030,000) 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 certain 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 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB535,088,000 (2021: RMB552,828,000) which are past due as at the reporting date. Out of the past due balances, RMB311,745,000 (2021: RMB382,414,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

13. BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Secured bank loans	**4,614,450**	4,017,192
Carrying amount repayable as follows:		
— within one year	**3,156,533**	2,725,704
— more than one year but not more than two years	**220,100**	104,800
— more than two years but not more than five years	**639,093**	515,400
— within a period of more than five years	**598,724**	671,288
	4,614,450	4,017,192
Less: Amount due for settlement within one year and shown under current liabilities	**(3,156,533)**	(2,725,704)
Amounts shown under non-current liabilities	**1,457,917**	1,291,488

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

	2022	2021
	RMB'000	*RMB'000*
Fixed rate borrowings:		
— repayable within one year	**3,082,733**	2,429,104
— repayable more than one year but not more than two years	**150,300**	76,000
— repayable more than two years but not more than five years	**48,693**	141,000
— repayable more than five years	**334,838**	196,088
Variable rate borrowings		
— repayable within one year	**73,800**	296,600
— repayable more than one year but not more than two years	**69,800**	28,800
— repayable more than two years but not more than five years	**590,400**	374,400
— repayable within a period of more than five years	**263,886**	475,200
	4,614,450	4,017,192

13. BORROWINGS — *Continued*

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

	2022	2021
Effective interest rate per annum:		
Fixed rate borrowings	**0.75% to 8.00%**	0.75% to 8.00%
Variable rate borrowings	**3.85% to 5.35%**	4.65% to 6.48%

In respect of a bank loan with carrying amount of RMB414,486,000 as at 31 December 2022 (2021: RMB430,000,000) raised by 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Shaanxi Yaobai") and 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli"), subsidiaries of the Company, these subsidiaries are required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

Shaanxi Yaobai

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

Baihong Ouli

- the ratio of debts to total assets shall not be more than 0.75:1;
- no addition of contingent liabilities without the permission from the respective bank.

The above entities have complied with these covenants throughout the reporting period.

Included in borrowing represents carrying amount of RMB1,229,400,000 (2021: RMB1,289,200,000) jointly guaranteed by either Mr. Zhang Jimin, the executive director or Mr. Zhang Jimin and his wife.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 17.

* *The English name is for identification purpose only*

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**2,067,923**	1,805,500
Bill payables	**11,300**	178,000
	2,079,223	1,983,500
Payables for constructions and equipment purchase	**1,651,309**	911,976
Other tax liabilities	**171,473**	177,134
Payroll and welfare payable	**84,594**	106,249
Interest payables	**2,076**	4,215
Consideration payable	**55,500**	60,000
Other payables	**442,389**	178,114
Deposits payables	**122,990**	118,618
Other long-term payable — current portion	**267,848**	249,179
	4,877,402	3,788,985

The following is an aged analysis of trade payables (including 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.

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**1,238,344**	1,174,941
91 to 180 days	**341,497**	279,110
181 to 360 days	**228,292**	236,641
361 to 720 days	**145,730**	95,163
Over 720 days	**114,060**	19,645
	2,067,923	1,805,500

15. MEDIUM-TERM NOTES

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

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

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

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,236,416**	1,232,842
Interest expenses	**64,515**	90,074
Interest paid	**(86,500)**	(86,500)
Repayment	**(500,000)**	–
Carrying amount at 31 December	**714,431**	1,236,416
Analysed as:		
Current liabilities	**714,431**	524,132
Non-current liabilities	**–**	712,284

As at 31 December 2022, the Second Tranche of Medium-term Note is due to be repaid within one year and is reclassified as current liabilities.

16. SENIOR NOTES

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

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.

Movement of carrying amount of Senior Notes is as below:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**3,876,911**	–
Proceeds from issuance of Senior Notes	**–**	3,834,221
Interest expenses	**209,780**	99,671
Interest paid	**(194,322)**	–
Exchange adjustment	**311,789**	(56,981)
Carrying amount at 31 December	**4,204,158**	3,876,911

17. ASSETS PLEDGED FOR SECURITY

The carrying amounts of the assets at the end of each reporting period pledged to secure trade facilities and bank loans are analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Property, plant and equipment	**3,380,392**	3,424,848
Trade receivables	**75,773**	39,570
Right-of-use assets	**177,773**	85,084
Pledged bank deposits	**561,308**	478,861
	4,195,246	4,028,363

During the year ended 31 December 2022, the Group pledged its equity interests in three subsidiaries, Guizhou Linshan, Mianxian and Xiushan Yaobai, to the bank to secure a banking facility totalling RMB150,000,000 for a period of one year which has already been drawn down as at 31 December 2022. The pledge will be released upon the repayment of the borrowing to the bank.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group has faced a tough operating environment in the year ended 31 December 2022. Sales volume in Shaanxi Province remained stable even under the adverse impact of the COVID-19 outbreak. Sales volume in Guizhou Province and Xinjiang Province recorded decreases while sales volume in Mozambique recorded an increase during the year. Overall, the sales volume of cement and clinker of the Group for the year ended 31 December 2022 remained stable, which was 19.3 million tons, representing a 4.9% decrease from 20.3 million tons recorded in 2021.

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 2022, the COVID-19 pandemic continuously impacted the operating environment adversely 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, maintaining the continuous solid support in the demand of cement, even though there was a little adverse impact resulted from the decline in the property investment. As a result of the continuous high raw materials and coal prices maintained during the year, ASPs in Shaanxi, Guizhou and Xinjiang were also increasing to cover the increasing costs. Moreover, the Group has continued to implement efficiency enhancements and cost control measures and has been able to maintain a comparatively stable cost during the year. In addition to the greater margins from Mozambique, the Group's overall margins remained stable in 2022.

The Group has maintained healthy cash flows, with EBITDA of RMB3,146.6 million for the year ended 31 December 2022, which is slightly lower than that of RMB3,194.8 million recorded in 2021.

Operating Environment

In 2022, the COVID-19 pandemic continuously impacted the operating environment adversely. The PRC government continued to closely coordinate the pandemic prevention and control as well as the economic work. The performance of infrastructure investment remained stable, while that of property investment was deteriorating, leading to a decline in the demand of cement. On the other hand, 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 favorable to balancing the supply and demand of the cement industry.

Shaanxi Province as a whole has seen an improved Fixed Asset Investment ("FAI") growth rate and a declined Real Estate Development Investment ("RDI") growth rate in 2022. During the year, the FAI and the RDI increased by 8.1% (2021: decrease of 3.0%) and decreased by 4.2% (2021: increase of 0.8%), respectively. The FAI growth rate improved during the year as a result of the government's economic stimulating policies. However, the declined RDI growth rate has overall led to a decline in demand for cement products from all producers in the Shaanxi Province. Fortunately, 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 maintenance of the other costs at a comparatively stable level even under the continuous high raw materials and coal prices during 2022. This resulted from the Group's consolidation of the long-term cooperation in procurement of coal, maintaining reasonable procurement pace to control the cost of raw materials and the implementation of efficiency enhancements as well as cost control measures during the year.

Shaanxi Province

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi remained reasonable and stable during 2022. 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 North Expressway, the Micang Avenue and the Xi'an to Ankang High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong High-Speed Railway, the Lushi to Luanchuan Expressway, the Ningshan to Shiquan Expressway, Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Chengkou to Kaizhou Expressway, the Luonan to Lushi 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.

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. 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, the abovementioned imbalance was mitigated.

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 Huaneng Power — Coal Transportation Railway, the Hancheng to Huanglong Expressway, the Beijing to Kuming 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 projects, the Xi'an to Yan'an High-Speed Railway and the Xi'an to Shiyan High-Speed Railway, have consumed over 460,000 tons and 310,000 tons of cement in 2022, respectively.

Sales volumes in Shaanxi have decreased slightly by approximately 2.0% to approximately 14.7 million tons in 2022 (2021: 15.0 million tons) and have been accompanied by increased ASPs. During the year, the Group has recorded an increase of approximately 0.9% in cement ASPs in Shaanxi to approximately RMB326 per ton (2021: RMB323 per ton) (excluding VAT), which is lower than the Group's overall ASP of RMB358 per ton (2021: RMB339 per ton), with a capacity utilization rate at approximately 68% (2021: 69%).

Xinjiang , Guizhou & Sichuan Provinces

Operations at the Group's plant in Xinjiang have been declining in 2022. Sales volume in Xinjiang has decreased by approximately 39.6% to approximately 1.63 million tons (2021: 2.70 million tons). During the year, sales volume in Xinjiang have decreased as a result of the decrease in the infrastructure projects and the downtrend of the real estate market. The Group has recorded an increased cement ASPs of approximately RMB428 per ton (2021: RMB424 per ton) (excluding VAT), with a capacity utilization rate at approximately 47% (2021: 77%).

In Guizhou, the Group's plant contributed approximately 0.91 million tons of cement to the total sales volume as compared to that of 1.18 million tons in 2021, which represented a decrease of approximately 22.9%. During the year, the Group has recorded cement ASPs in Guizhou of approximately RMB403 per ton (2021: RMB318 per ton) (excluding VAT), with a capacity utilization rate at approximately 51% (2021: 66%). As a result of the strategic change to the production of special cement, the ASPs was improved because of the sales of more special cement at higher ASPs during the year. The imbalance between demand and supply in Guizhou was even exacerbated by 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.

Mozambique

The Group built a cement plant in Mozambique, a "window" country in South Africa, in close compliance with the "Belt and Road" development policy of the PRC and to seize the opportunity brought by the "Go Global" policy to maximize the cement production capacity. The Mozambique plant was commissioned in December 2020. Sales volume of cement and clinker in Mozambique have increased by 36.5% to 1.42 million tons (2021: 1.04 million tons). During the year, both sales volume and ASPs in Mozambique have increased as a result of the new capacity entering the market successfully in prior year. The Group has recorded an increased cement ASPs at approximately RMB552 per ton (2021: RMB373 per ton) (excluding VAT), with capacity utilization rate at approximately 79% (2021: 54%).

Democratic Republic of the Congo

The Great Lakes plant is a production line with a capacity of 3500-ton clinker and cement per day and approximately 1.50 million tons of cement per year, equipped with limestone mines, coal mines, power stations and wharfs. The Great Lakes plant is located in the city of Kalemie in the eastern region of the Democratic Republic of the Congo ("D.R. Congo"). Our cement sales cover Kalemie and neighboring countries and regions such as Rwanda, Burundi and western Tanzania. These market areas are relatively undeveloped and there is no large-scaled cement production line. With Lake Tanganyika as the center, the area where the plant is situated has a large population density and high population growth, which can ensure a certain market demand for cement. In addition to the potential of the civilian market, there are a large amount of unexploited mineral resources in the underneath and surrounding areas of Lake Tanganyika, which, once developed in the future, will directly drive related infrastructure and economic development, generating significant demand for cement. All markets covered can be reached mainly by water transportation from the lake, supported by truck transportation on land. The cement ASP is currently sold at approximately USD150 per ton. The Great Lakes plant was commissioned in December 2022.

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. In 2022, the Group acquired National Cement plant with a capacity of 1.3 million tons of cement per year, the plant was then upgraded and commissioned in November 2022. During the year, the Group has recorded cement ASPs at approximately RMB748 per ton (2021: Nil) (excluding VAT) and sales volume of 0.18 million tons (2021: Nil), with capacity utilization rate at approximately 84% (2021: Nil).

Energy Conservation, Emissions & Environmental Protection Solutions

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 2022, these systems were in operation at 14 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 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 with capacity of 100,000 tons per year, which has been operating since March 2016; (ii) the Solid Waste Treatment Facility at the Group's Mianxian Plant with capacity of 16,500 tons per year, which has been operating since October 2017, ; and (iii) the Solid Waste Treatment Facility at the Group's Moyu Plant with capacity of 80,000 tons per year, which has been operating since August 2022. In 2023, the Group will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account of the specific conditions in the solid waste market of Shaanxi.

During the year, the Group continued to promote performance upgrading and transformation. So far, five of our units, which means our plants in Fuping, Shifeng, Tongchuan, Danfeng and Xunyang, have begun the standardized transformation for A-level enterprise differentiation, and successively completed the technological transformation of unlimited reduction denitrification, the transformation of dust collector and the installation of online monitoring equipment for cement grinding (水泥磨) and for ammonia escape at kiln tail (窯尾氨逃逸). For our Danfeng plant, the desulfurization transformation has completed, and, for our Xunyang plant, technological transformation of wet-process desulfurization (濕法脫硫) is being carried out. The Group has also continued to perfect the management and control of disorganized particulate matter. Automatic roller blind shutters have been installed at the entrances and exits of vehicles such as sheds, and sprinkler facilities have been installed inside the sheds to ensure that operations are carried out in a closed area, which effectively suppresses disorganized fugitive dust emissions, enabling the disorganized emissions of all plants in our production unites to be far below the standard emission limits. In addition, the Group has also standardized our carbon emission management. For each of our coal-related units, carbon element monitoring has been fully initiated, providing persuasive evidence and preparation for carbon emission calculation and for establishing a carbon emission management system.

Moreover, all plants in the PRC were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have been already commenced construction to comply with the environmental policy. For each major unit in our mines, an annual monitoring plan has been formulated specifically, and monitoring work on areas such as landscape, slope deformation, soil and water pollution, soil quality, reclamation and vegetation has started in accordance with the plan, so that the orderly progress of mine recovery and land reclamation has been ensured. 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 2022, the Group recorded loan receivables of approximately RMB726.5 million (2021: RMB1,004.9 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB107.4 million for the year ended 31 December 2022 (2021: RMB157.6 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 2022, 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 RMB6.5 million, including donations made in sponsoring deprived students for college education as well as supporting education, sports and cultural events.

PROSPECTS

In 2023, the central government will adhere to the keynote of seeking progress in a stable manner. It will complete, refine and thoroughly execute the new development concept by accelerating the construction of a new development pattern and furthering the opening-up reforms on all fronts, so as to promote high-quality development with an emphasize on the structural reform on the supply side. It will also efficiently coordinate pandemic prevention and control with economic and social development, advancing the implementation of a package of economic stabilization policies in a pursuit to stabilize the macroeconomic, so as to maintain the economic operation in a reasonable range. In terms of infrastructure, the government will actively expand the effective investment to strengthen infrastructure construction on all counts, thereby accelerating the construction of major projects under the 14th Five-Year Plan, which will provide certain support to the cement demand. As for real estate, despite the city-based policies the state adopted to promote the healthy cycle and development of the real estate industry, it is still difficult to reverse the downward trend of real estate investment in the short term, which will have an adverse impact on the market demand on cement. At the same time, the PRC will continue to strengthen the comprehensive management of the ecological environment and promote carbon peaking and carbon neutral work in a orderly manner, while the peak-shifting production halts for the cement industry will become a norm for a longer period, bringing positive effects to the issues of supply contraction and elimination of excess capacity.

In terms of investment and development, the Company will adhere to the 14th Five-Year Plan and our annual investment plan to make solid progression in various investments and developments, with an aim to achieve high-quality development under the principle of effective investment. First, we will focus on strengthening and enhancing our major cement business, with new drivers for business growth being created by accelerating the investment and implementation of projects along the upstream and downstream of the industrial chain, such as those of aggregates and commercial cement. Second, we will promote the international development strategy on a steady pace, where we will formulate and improve the plan for medium-to-long-term overseas development, as well as improve the operation and management mechanism of overseas projects, so as to actively build a diversified cooperation model. Third, we will promote energy conservation and carbon reduction in an orderly manner, while making investments in the upcoming digital and intelligent industry, so as to speed up the application of intelligent and information technology, thereby consolidating and enhancing 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 in coordinating and executing its production, operation, and management. First, the Group will conduct further analysis and studies on the market conditions, reasonably control the pace of production and sales, deepen strategic cooperation with major customers and enhance its control on the end-user market, so as to maintain a reasonably market share. Second, the Group will continue to trace and control the source of raw materials and fuel, deepen strategic cooperation with large coal enterprises, actively explore sourcing channels and strive to increase the proportion of direct supply of raw materials and fuel, so as to reduce overall procurement costs. Third, the Group will keep implementing the green development strategy, step up investments in energy conservation and environmental protection with a focus on the dual carbon policy goals, properly execute the technological reform on energy conservation and consumption reduction, and enhance the research on carbon reduction technologies, thereby accelerating industrial transformation and upgrading. Fourth, the Group will further promote the strategy to strengthening our enterprise with talents, where we will make continuous optimization and improvement to the employee incentive mechanisms, so as to stimulate talent innovation and creativity in an attempt to maintain high-quality development for our Company.

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 2023. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2023, 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 2023, 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 2023, including the constructions of several Central Shaanxi Intercity Railways, several expressways, the Xian East Railway Station, the Guxian Reservoir and the Fuping pumped storage hydro power plant.

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 2023, including the constructions of the Ankang to Chongqing High-Speed Railway, the High-Speed Railway from Lanzhou to Hanzhong to Shiyan, several expressways, the Hengkou Reservoir, the Xingping Reservoir and two pumped storage hydro power plants in Shangluo and Shanyang. The Group expects to see substantial demand from a number of infrastructure projects in 2023 and 2024.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2023. 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 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 2023 and beyond. Moreover, in Northern Xinjiang, the production volume and ASPs of the 1.5 million-ton Yili Plant remained low. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2023. In Guizhou, sales volume is declining due to the imbalance between demand and supply which is even exacerbated by the continuously decreasing demand scenario and the Group expects that the scenario may continue for a certain period. As a result of the Group's strategic change to the production of special cement, the Group expects that the ASPs and margins will be improved in 2023 because of the sales of more special cement at higher ASPs. Moreover, 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 2023 and beyond.

Operations — Mozambique, D.R Congo & Ethiopia

Since the official launch of sales in Mozambique in 2021, through one and a half years of market operation, channel construction and brand building work, the overall development has continued to be positive. Remote markets and overseas export business are also on track. The overall cement production capacity distribution and basic layout in Mozambique in 2023 are not expected to change significantly, while the civil segment in the southern market has stabilized. 2023 focus will be on the sales of cement and clinker in the central part of the country and overseas (South Africa, Zimbabwe and Madagascar). The Group expects that the sales volume will increase with stable ASPs.

In D.R. Congo, the Great Lakes plant can export clinker, cement and other products to surrounding countries such as Burundi, Rwanda, and western Tanzania. In the Lake Tanganyika regions, there are currently only one old cement plant and four grinding stations. All regions are actually facing a shortage of clinker and the Group expects that the market demand is strong. The import of clinker in these regions mainly comes from Tanzania, Zambia and other countries and the clinker quantity is unstable. The Group expects that the Great Lakes plant can quickly occupy the market through its stable quality and lower price strategy in 2023.

The current market demand of cement in Ethiopia is strong. The Group can foresee several key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction in the regions of Addis Ababa, Amhara and Oromia, which in turn will gradually increase the cement demand. The Group expects that both sales volumes and ASPs will increase gradually with these long-term demand increment.

Capacity Development

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. With the strong support of the local governments at all levels, the Group has built a new production line with a daily production capacity of 10,000 tons of clinker in Lemi, Amhara State, Ethiopia, following the acquisition of the National Cement plant. The production line is built by the new dry-process pre-decomposition production technology with an annual production capacity of 5 million tons of cement. The market for the Lemi project extends to the regions of Addis Ababa, Amhara and Oromia. The major markets in such regions focus on key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction. Currently, the average selling price of cement in the region is approximately US$120 per ton. The Lemi plant is expected to commence production in the first quarter of 2024.

The Lemi project has gained strong support from the government in terms of preferential income tax, priority provision of land and mine resources. Upon the completion of the project, the Group's advantages in technology, management and cost, coupled with the great demand for cement in Ethiopia in the future, will lay a foundation for the Group's subsequent expansion in the Ethiopian market.

Uzbekistan

With a relatively stable political situation and a fast-growing economy, Uzbekistan has the largest population in Central Asia, ranking second in terms of total GDP. The government has improved its economic reform and considered economic development as the main objective. A series of policies to improve key areas such as road traffic, communications and social infrastructure have resulted in long-term favorable national demand for cement. Uzbekistan has both oil and gas resources, with 100 million tons of proved reserves of petroleum, 190 million tons of proved reserves of condensate and 3.4 trillion cubic meters of proved reserves of natural gas. The development of oil and gas resources has fostered a great market potential for the special cements required for oil and gas cementing.

Based on the aforementioned belief of the long-term growth of the Uzbekistan market, the Group has built a new production line with a daily production capacity of 6,000 tons of clinker in Andijon viloyati, which will produce 2.4 million tons of cement per annum, using the internationally advanced New Generation II dry process cement production line technology. Currently, the average selling price of cement in the region is approximately US$80 per ton. The Andijon plant is expected to commence production in the first quarter of 2024.

The Group expects to seize the development opportunities through the abovementioned production capacity development, and continuously improve the international market layout to realize the Group's target of high-quality and sustainable 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 2023. 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 6.1% from RMB8,002.8 million for the year ended 31 December 2021 to RMB8,489.1 million for the year ended 31 December 2022. Cement sales volume decreased by 7.0%, from approximately 19.9 million tons to approximately 18.5 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2022 amounted to approximately 19.3 million tons, compared to the 20.3 million tons sold in 2021.

Overall cement prices were higher than those in 2021, and this has resulted in higher revenue. Cement ASPs for the year ended 31 December 2022 were RMB355 per ton as compared with RMB339 per ton in 2021. 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 52.5% as a result of the increase in both ASPSs and sales volume and increased by approximately 24.1% as a result of the increase in sales volume, to RMB236.0 million and RMB709.1 million, for the year ended 31 December 2022, respectively.

Cost of Sales

Cost of sales increased by 12.1% from RMB5,626.2 million for the year ended 31 December 2021 to RMB6,307.3 million for the year ended 31 December 2022.

Coal costs were maintaining at a high level in the PRC since 2021 because the supply and production of coal were continuously keeping at an imbalance level as a result of the decrease in import of coal and the limited local supply as well as the increase in the demand of coal under the recovery of economic activities after the COVID-19 impact was mitigating. The average cost per ton of coal increased by approximately 33.4% to approximately RMB1,039 per ton from approximately RMB779 per ton in 2021. These have resulted in a cost increase of approximately RMB24.9 per ton of total cement produced, with total coal costs increased by approximately 20.8% as compared with that of 2021

The average cost per ton of limestone remained stable at approximately RMB16.9 per ton during the year (2021: RMB17.9 per ton). However, the average prices of other raw materials were increasing over the year. Even though the cement sales volume decreased, the total raw materials costs decreased by approximately 1.5% only and the raw materials costs increased by approximately RMB5.3 per ton of total cement produced, as compared with that of 2021.

The average cost of electricity was increasing over the year as a result of the increase in electricity price under the high coal costs and the increase in the demand of electricity under the recovery of economic activities after the COVID-19 impact was mitigating. The electricity costs increased by approximately RMB2.8 per ton of total cement produced, while total electricity costs increased by approximately 2.0% as compared with that of 2021.

The total depreciation cost increased by approximately 8.7% as compared with that of 2021, which was approximately an increase of RMB5.6 per ton of total cement produced, as a result of the increase in the production capacities and the technology upgrading of the existing production facilities.

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. Other costs in total increased by approximately 3.8% as compared with that of 2021, which was approximately an increase of RMB2.0 per ton of total cement produced, as a result of the increase in the production capacities.

There have been no significant changes in the staff cost during the year.

As mentioned in the revenue analysis above, the costs arising from the production of aggregates and commercial concrete also increased by approximately 24.8% as a result of the increase in sales volume and the higher excavation cost attributable to the aggregate business in Africa and by approximately 32.8% as a result of the increase in sales volumes, to RMB80.9 million and RMB617.4 million, for the year ended 31 December 2021, respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB194.8 million, or 8.2%, from RMB2,376.6 million for the year ended 31 December 2021 to RMB2,181.8 million for the year ended 31 December 2022. The decrease in gross profit was mainly due to mainly due to net effect of the increase in ASPs, the decrease in sales volume and the increase in cost of sales as described above. Gross profit margins decreased from 29.7% for the year ended 31 December 2021 to 25.7% for the year ended 31 December 2022.

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 grants. Other income increased by approximately 78.6% from RMB253.0 million for the year ended 31 December 2021 to RMB451.9 million for the year ended 31 December 2022. The net increase in the balance was mainly because (i) the VAT refunds decreased by RMB100.5 million or 50.3% to RMB99.3 million as a result of the decrease in the ratio of cement produced by using recycled industrial waste during the year as well as (ii) the government grants increased by RMB299.5 million or 596.6% to RMB349.7 million as a result of a subsidy of RMB308.5 million received form the demolition work of the Jianghua plant.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 9.1% from RMB554.3 million for the year ended 31 December 2021 to RMB604.8 million for the year ended 31 December 2022. Selling & marketing expenses increased by 0.9% from RMB74.5 million to RMB75.2 million for the year ended 31 December 2022 as compared with that of 2021. The increase in administrative expenses were mainly attributable to the increase in the depreciation and amortisation arising from the new production capacities and the increase in respective administrative expenses related to the development of the businesses in Africa.

Other Expenses

Other expenses primarily included the donations and legal and professional fees and the provision for administrative penalty. The amount increased by RMB40.6 million from RMB24.3 million for the year ended 31 December 2021 to RMB64.9 million for the year ended 31 December 2022. The increase was mainly due to the increase in the legal and professional fees to RMB28.7 million (2021: RMB17.5 million) as a result of the increase in business development activities and the provision for administrative penalty made by Shaanxi Administration for Market Regulation for an accusation of price monopoly in the central Shaanxi market of RMB29.8 million (2021: Nil) was recorded during the year.

Other Gains and Losses, net

Other gains decreased by RMB439.1 million from RMB386.6 million for the year ended 31 December 2021 to other losses of RMB52.5 million for the year ended 31 December 2022. The decrease was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange gains mainly relating to the translation of the Group's other long term payable from USD to Meticais, the official currency of Mozambique and the translation of the intercompany balances between the subsidiaries with different functional currencies of RMB37.1 million for the year ended 31 December 2022 (2021: RMB292.6 million). Secondly, a gain on disposal of an associate of RMB79.3 million recognised in 2021. No such gain was recorded during the year. Finally, there was a fair value loss of RMB69.6 million on an equity investment, which was acquired upon the disposal of an associate in 2021, during the year (2021: RMB3.4 million).

Impairment losses under expected credit loss model, net of reversal

The balance decreased by RMB120.6 million from RMB189.5 million for the year ended 31 December 2021 to RMB68.9 million for the year ended 31 December 2022. The decrease was mainly due to the decrease in impairment loss on loan receivables to RMB53.0 million during the year (2021: RMB88.5 million) as a result of the decrease in loan receivables and the decrease in impairment loss on trade receivables to RMB18.0 million during the year (2021: RMB101.7 million) as a result of the improvement in economy under the mitigated impact of COVID-19 outbreak to certain clients.

Interest Income

Interest income decreased by RMB0.5 million from RMB169.4 million for the year ended 31 December 2021 to RMB168.9 million for the year ended 31 December 2022. The decrease was mainly due to the net effect of (i) the decrease in the interest income arising from the loan receivables business to RMB107.4 million recorded for the year ended 31 December 2022 (2021: RMB157.6 million) as a result of the decrease in loan receivables business and (ii) the increase in interest income arising from the amount due from the joint venture of RMB36.1 million (2021: Nil) and the bank deposits of RMB25.4 million (2021: RMB11.9 million) as a result of the increase in the bank balance after issuance of senior notes in July 2021.

Finance Costs

Finance costs increased by RMB155.5 million, or 59.6%, from RMB261.1 million for the year ended 31 December 2021 to RMB416.6 million for the year ended 31 December 2022. The increase was mainly due to the issuance of the senior notes in July 2021.

Income Tax Expense

Income tax expenses decreased by RMB131.4 million, from RMB300.6 million for the year ended 31 December 2021 to RMB169.2 million for the year ended 31 December 2022. Current income tax expense plus over provision decreased by RMB66.6 million to RMB278.7 million (2021: RMB345.3 million), whereas deferred tax credit increased by RMB64.8 million to RMB109.5 million (2021: RMB44.7 million).

The decrease in the current income tax expense were mainly attributable to the decrease in profit as well as the decrease in withholding tax on the distributed and paid profits of PRC subsidiaries. The increase in deferred tax credit was mainly due to the increase in the deferred tax assets arising from the unused tax losses and the decrease in deferred income.

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

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB1,585.1 million for the year ended 31 December 2021 to RMB1,214.7 million for the year ended 31 December 2022. This is primarily due to the net effect of the decrease in gross profit, the decreases in net foreign exchange gains and gain on disposal of an associate, the increase in finance costs as well as the decreases in impairment losses and income tax expenses as mentioned above.

Basic earnings per share decreased from RMB29.1 cents for the year ended 31 December 2021 to RMB22.4 cents for the year ended 31 December 2022.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2022, the Group's total assets increased by 13.5% to RMB30,239.3 million (2021: RMB26,648.4 million) while total equity increased by 13.6% to RMB13,391.8 million (2021: RMB11,791.6 million).

As at 31 December 2022, the Group had bank balances and cash as well as restricted/pledged bank deposits, amounting to RMB2,045.9 million (2021: RMB4,140.1 million). After deducting total borrowings, medium term notes ("MTN") and senior notes ("SN") of RMB9,533.0 million (2021: RMB9,130.5 million), the Group had net debt of RMB7,487.1 million (2021: RMB4,990.4 million). 78.4% (2021: 70.8%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB726.5 million (2021: RMB1,004.9 million) at fixed interest rates. Please refer to Notes 11, 13, 15, 16 and 17 to the consolidated financial statements above for the details of the loan receivables, bank borrowings, MTN, SN and the respective pledge of assets.

As at 31 December 2022, the Group's net gearing ratio, measured as net debt to equity, was 55.9% (2021: 42.3%). 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. As at 31 December 2022, the Group has net current liabilities position of approximately RMB2,624.9 million. As at 31 December 2022, the Group has unused banking facility of approximately RMB1,492.9 million, which is available for immediate drawdown and utilisation in the course of ordinary business from the date of the approval of these consolidated financial statements. Subsequent to 2022, the Group has obtained additional banking facilities of approximately RMB863.6 million, which is made available for the Group to utilise immediately at the date of granting such facilities. Moreover, the Group is also in the process of negotiating the facilities with certain banks. As at the date of this annual report, the Group received banking facility proposals totalling RMB1,838.0 million from various banks. The Group is expected to generate sufficient operating cash flow which enable the Group to continue in operational existence and meet its obligation when it falls due in the foreseeable future.

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

CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022 amounted to RMB3,669.4 million (2021: RMB4,193.2 million). Capital commitments as at 31 December 2022 amounted to RMB3,283.4 million (2021: RMB1,416.4 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, Democratic Republic of the Congo and Uzbekistan . The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 7,736 (2021: 7,118) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2022, employees benefit expenses were RMB776.6 million (2021: RMB776.8 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") ("NCSC Sale Shares"), 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) ("NCSC Share Purchase Agreement"). On 27 July 2022, East African Mining Corporation PLC, West International, NCSC and WINBM entered into a deed of novation and variation (the "Deed of Novation and Variation"), pursuant to which (i) the parties have agreed to amend the longstop date for the closing of the sale and purchase of the NCSC Sale Shares from 30 September 2021 to 31 July 2022; and (ii) West International has transferred its rights, interests, obligations and liabilities pursuant to the NCSC Share Purchase Agreement as amended by the Deed of Novation and Variation to WINBM.

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

On 7 September 2021, West International and West International New Building Materials Pte. Ltd ("WINBM"), both are wholly-owned subsidiaries of the Company, entered into a share subscription agreement with East Africa Mining Corporation PLC, East Africa Group (Ethiopia) PLC, Ato Buzuayehu Tadele and NCSC, pursuant to which the Group will be entitled to subscribe for further shares in NCSC in tranches, leading to the Group to ultimately acquiring a 61.9% shareholding interest in NCSC, at a total subscription price of US$170,000,000 (equivalent to approximately HK$1,320,900,000) ("Share Subscription Agreement"). The above subscription of shares in NCSC has not completed as at 31 December 2021. On 27 July 2022, parties to the Share Subscription Agreement entered into a deed of variation to the Share Subscription Agreement (the "Deed of Variation"), pursuant to which the Parties have agreed that the subscription price will be satisfied by the payment of the sum of US$170,000,000 as follows: (i) such portion of the subscription price as the parties may agree to be paid in cash by WINBM (or West International on behalf of WINBM) on the Share Subscription Completion Date; and (ii) remainder of the subscription price to be paid by WINBM (or West International on behalf of WINBM) in instalments at any time up to the subscription longstop date. The parties have further agreed that the subscription longstop date shall be changed from 30 June 2024 to 30 June 2023, or such other date as may be agreed by East Africa Mining Corporation PLC, East Africa Group (Ethiopia) PLC, Ato Buzuayehu Tadele and WINBM in writing.

On 27 July 2022, East Africa Mining Corporation PLC, East Africa Group (Ethiopia) PLC, Ato Buzuayehu Tadele, West International, WINBM, SGI Ethiopia Cement Ltd., Schulze Global EGTF Cement Ltd. and NCSC entered into a shareholders' agreement in order to (i) lay the foundation for creating a harmonious relationship among the shareholders; (ii) define the rights and responsibilities of the existing shareholders and the Company; and (iii) agree on the management of NCSC upon the Company acquiring a controlling interest.

For further details in relation to the above acquisition, please refer to the announcements of the Company dated 7 September 2021, 18 October 2021, 27 July 2022 and 28 July 2022.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the year ended 31 December 2022.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2022, 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. Meticais. 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.

DIVIDEND

At the Board meeting held on 27 March 2023, the Directors proposed to recommend the payment of a final dividend of RMB0.067 per ordinary share for the year ended 31 December 2022.

The final dividend of RMB0.067 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 25 May 2023 (Thursday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 5 June 2023 (Monday).

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 25 May 2023 (Thursday). 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 25 May 2023 (Thursday), 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 19 May 2023 (Friday). The register of members of the Company will be closed from 22 May 2023 (Monday) to 25 May 2023 (Thursday), 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 1 June 2023 (Thursday) to 2 June 2023 (Friday), 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 31 May 2023 (Wednesday). Subject to shareholder's approval of the proposed final dividend at the annual general meeting to be held on 25 May 2023 (Thursday), the final dividend will be paid on or around 31 July 2023 (Monday) to shareholders whose names appear on the register of members of the Company at the close of business on 2 June 2023 (Friday).

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 2022.

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 2022.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. During the year ended 31 December 2022, 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. On 28 February 2023, the Company appointed Mr. Feng Tao as a new independent non-executive Director and a member of the Audit Committee to comply with the requirement of Rules 3.10A and 3.11(2) of the Listing Rules, therefore as of the date of this announcement, the Audit Committee consists of four independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong, Mr. Tam King Ching Kenny and Mr. Feng Tao. 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 2022.

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

The Board announces that it proposed to amend the existing articles of association of the Company (the "Articles") and to adopt the amended and restated articles of association of the Company incorporating the amendments (the "Amended and Restated Articles of Association") for the purpose of, among others, (i) bringing the Articles in line with the Core Shareholders Protection Standards as set out in Appendix 3 to the Listing Rules effective from 1 January 2022; and (ii) incorporating certain housekeeping amendments.

The proposed amendments and the adoption of the Amended and Restated Articles of Association are subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company. A circular containing, among other things, particulars relating to the proposed amendments to the existing Articles brought about by the adoption of the Amended and Restated Articles of Association together with a notice convening the forthcoming annual general meeting will be despatched to the shareholders of the Company on or around 24 April 2023 (Monday).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available on the abovementioned websites in due course.

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

Hong Kong, 27 March 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Cao Jianshun, Mr. Wang Fayin and Mr. Chu Yufeng, the non-executive Directors are Mr. Ma Zhaoyang, Mr. Wang Jingqian and Mr. Fan Changhong and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong, Mr. Tam King Ching, Kenny and Mr. Feng Tao.

* *For identification purposes only*