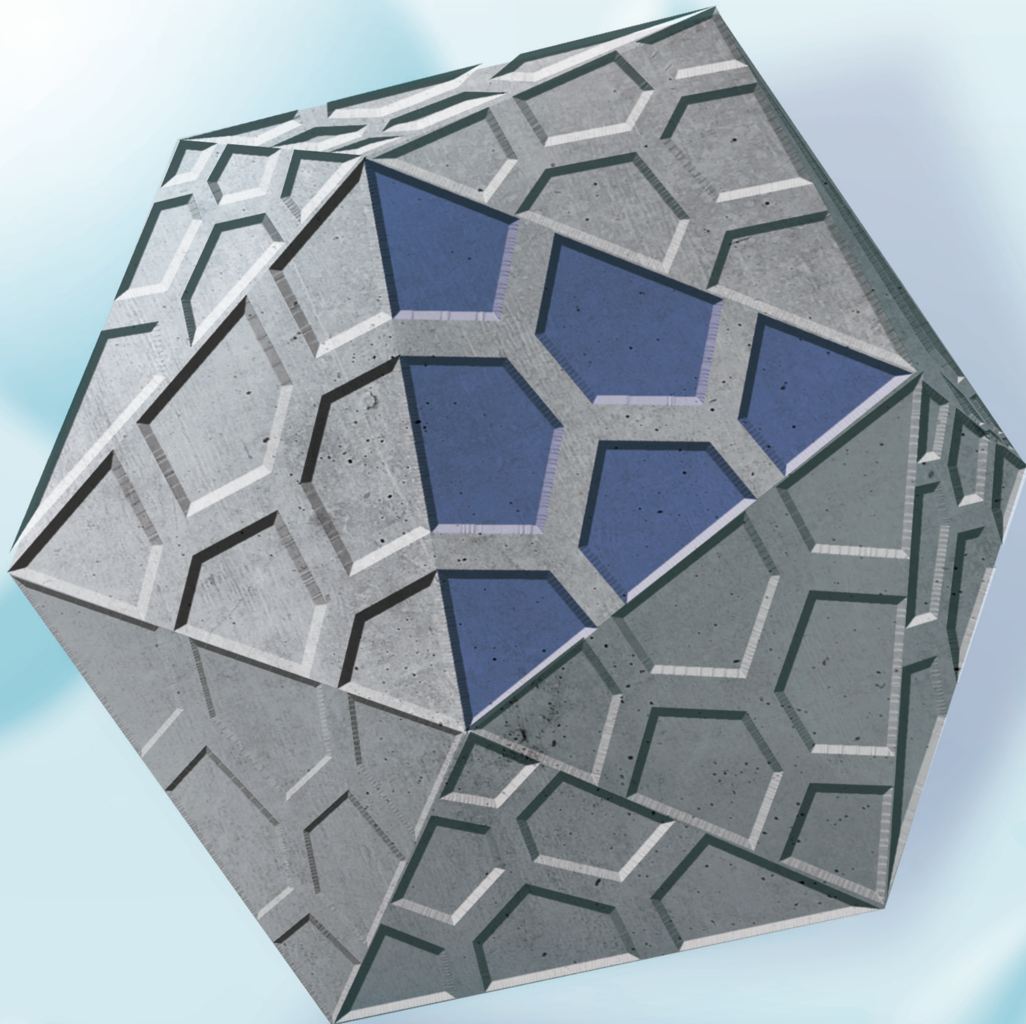
中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liabilty with registered number 94796)

Stock Code: 2233



2022 ANNUAL REPORT

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Corporate Information

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

13 Castle Street
St Helier
Jersey JE1 1ES
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*
(resigned with effect from 2 February 2023)
Cao Jianshun *(Chief Executive Officer)*
(appointed with effect from 2 February 2023)
Chu Yufeng *(Chief Financial Officer)*
(appointed with effect from 2 February 2023)
Wang Fayin
(appointed with effect from 2 February 2023)

Non-Executive Directors

Ma Zhaoyang
Shi Guanglei (resigned with effect from 19 April 2022)
Wang Jingqian (appointed with effect from 19 April 2022)
Fan Changhong

Independent Non-Executive Directors

Lee Kong Wai Conway
Zhu Dong
Tam King Ching Kenny
Feng Tao (appointed with effect from 28 February 2023)

COMPANY SECRETARY

Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES

Dr. Ma Weiping (resigned as the authorized representative with effect from 28 February 2023)
Cao Jianshun (appointed as the authorized representative with effective from 28 February 2023)
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE

Lee Kong Wai Conway *(Chairman)*
Zhu Dong
Tam King Ching Kenny
Feng Tao (appointed with effect from 28 February 2023)

MEMBERS OF THE REMUNERATION COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

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

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of Xi'an

Financial Highlights

RMB' Million (unless otherwise specified)	**Year ended 31 December 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.

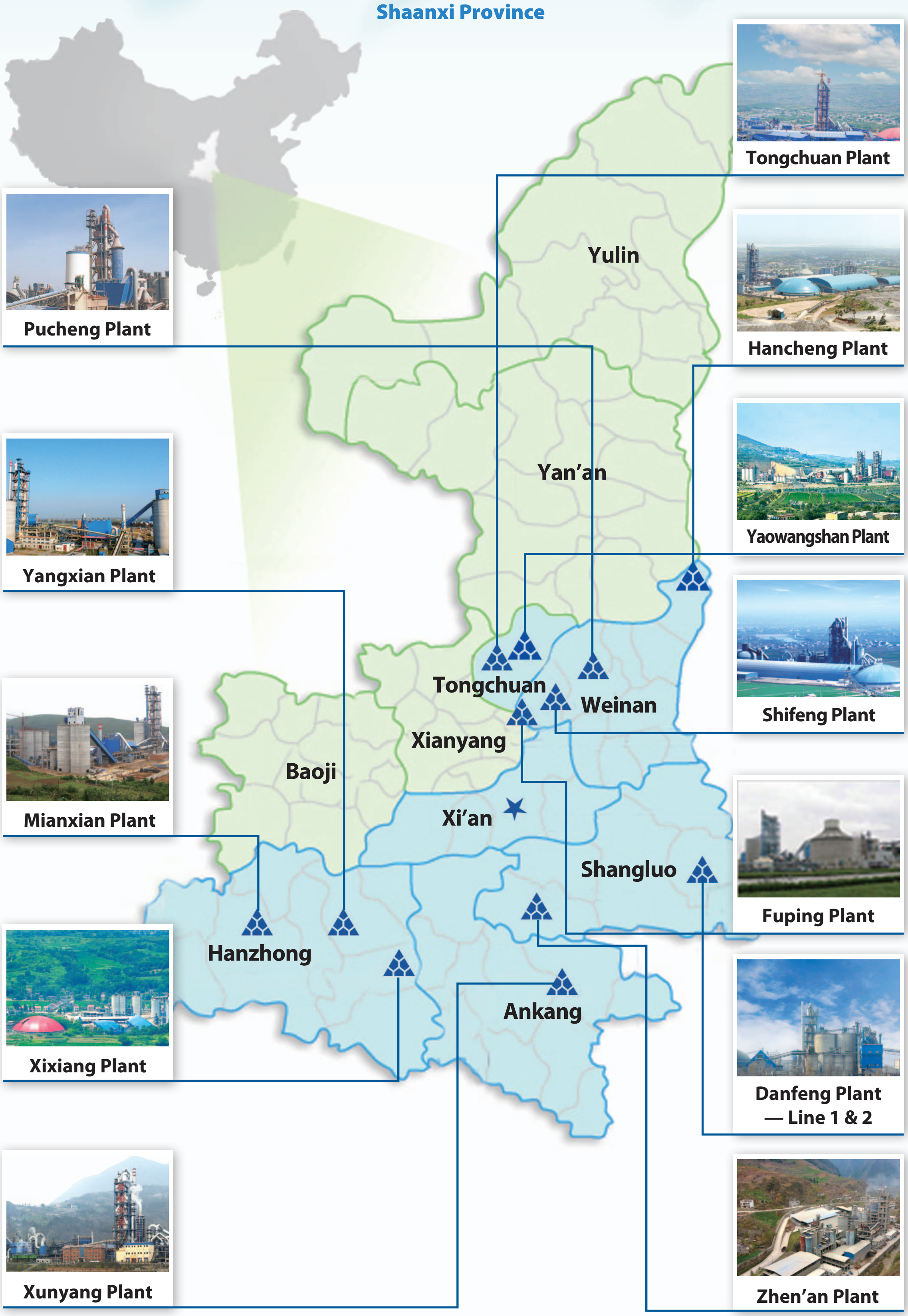
(2) Net debt equal to borrowings, medium-term notes and senior notes less bank balances and cash and restricted/pledged bank deposits.

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

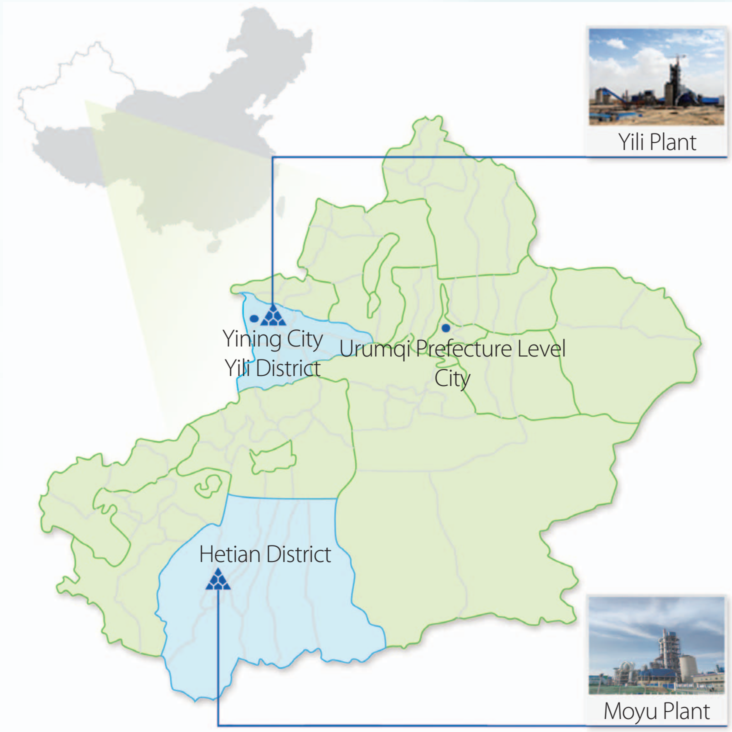
Business Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a presence in Xinjiang, Guizhou and Sichuan Provinces, as well as Mozambique, Democratic Republic of the Congo ("D.R. Congo") and Ethiopia, Africa. As at 31 December 2022, the Group had a total production capacity of 33.3 million tons, comprising 20 cement production lines, with 21.7 million tons in Shaanxi Province, 3.5 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province, 2.0 million tons in Mozambique, 1.5 million tons in D.R. Congo and 1.3 million tons in Ethiopia, Africa. Moreover, the Group had total production capacities of 15.0 million tons in aggregates and 12.4 million cubic meters of commercial concrete.

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


Shaanxi Province
Tongchuan Plant
Pucheng Plant
Hancheng Plant
Yulin
Yangxian Plant
Yan'an
Yaowangshan Plant
Shifeng Plant
Tongchuan
Weinan
Xianyang
Mianxian Plant
Baoji
Xi'an
Shangluo
Fuping Plant
Hanzhong
Xixiang Plant
Ankang
Danfeng Plant — Line 1 & 2
Xunyang Plant
Zhen'an Plant

Xinjiang Province



Guizhou Province

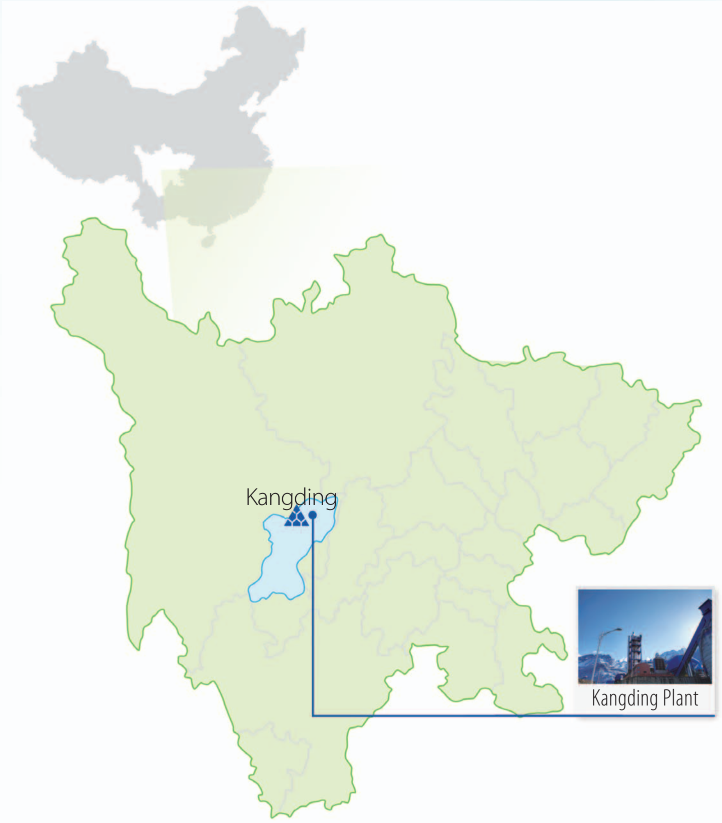
Business Overview

The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have been increasing in recent years even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. In 2022, the coronavirus disease 2019 ("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.

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

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

Sichuan Province



Africa

Milestones

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

Milestones

Year	Event	Year End Cement Capacity (million tons)
2015	Completion of the construction of the 1.5 million tons Xinjiang Yili Plant and the 1.8 million tons Guizhou Huaxi Plant with full commissioning commencing in the first quarter of 2015.	29.2
	Announcement in June of a subscription by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement for new shares in the Group equal to approximately 16.67% of total issued share capital of the Company as enlarged by the subscription shares.	
	The Group acquired the Yaowangshan Cement Plant, with a cement capacity of 2.2 million tons, in October taking Group total current capacity to 29.2 million tons.	
	Subsequently, both Conch Cement and the Company, among others, entered into an acquisition agreement (the "Acquisition Agreement") in November whereby the Group purchases 4 cement plants in Central Shaanxi from Conch Cement totaling 10.4 million tons of cement capacity in consideration of an issue of 3,402,876,000 shares by the Company ("Consideration Shares"). After the issue of the Consideration Shares, Conch Cement will increase their holding in the Group to 57.57%.	
2016	As certain conditions precedent of the Acquisition Agreement were not satisfied or waived before 5:00 pm on 30 June 2016, the long stop date under the Acquisition Agreement, the Acquisition Agreement ceased and was determined.	29.2
	The Group successfully issued the first tranche of the short-term notes with an aggregate principal amount of RMB800 million at the interest rate of 5.5% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 15 March 2016.	
	Fuping Municipal Waste Treatment Facility was commissioned in March.	
2017	The Group successfully issued the second tranche of the short-term notes with an aggregate principal amount of RMB400 million at the interest rate of 6.98% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 3 March 2017.	29.2
	Mianxian Solid Waste Treatment Facility was commissioned in October.	
2018	The Group early redeemed USD80 million 5-year senior note in November and December.	29.2
	Four aggregates production lines with capacities of 7 million tons in total were commissioned.	
2019	The Group fully repaid USD400 million 5-year senior note at the maturity date in September.	29.2
	The Group successfully raised a syndicated loan of USD150 million with a term of three years in September.	
	The Group's production capacities of aggregates and commercial concrete increased to 15.0 million tons and 4.55 million cubic meters, respectively.	
2020	The Moyu Plant, Xinjiang was commissioned in December.	33.2
	The Mozambique Plant, Africa was commissioned in December.	
	The Group's production capacity of commercial concrete increased to 9.8 million cubic meters.	
2021	The Tongchuan Plant, Shaanxi was commissioned in June.	29.0
	The Group fully repaid the syndicated loan of USD150 million.	
	The Group successfully issued a USD600 million 5-year senior note at 4.95% p.a. interest rate.	
2022	The Kangding Plant was consolidated in April.	33.3
	The National Cement Plant was commissioned in November	
	The Great Lakes Plant was commissioned in December.	

Chairman's Statement

High quality development in Africa will be a major focus in 2023 and beyond

Zhang Jimin
Chairman

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2022.

OVERVIEW

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

Energy conservation and emission controls are increasingly important factors in the cement industry and the Group continues to work towards the highest industry standards in these areas. All of the Group's production facilities are NSP lines, mostly situated in close proximity to limestone quarries and the Group uses conveyor belts at many of its plants in order to minimise transportation related emissions. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing $CO2$ emissions by approximately 22,000 tons per year per million tons of production. All of the Group's plants in China have been installed with denitration (De-NOx) equipment, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, as well as Particulate Matter (PM) reduction equipment. The Group is also involved in hazardous and municipal waste incineration.

FINANCIAL RESULTS

In 2022, the Group saw a tough operating environment in China. The Group's cement and clinker sales volumes have decreased slightly from 20.3 million tons in 2021 to 19.3 million tons in 2022 and the Group has recorded a 8.2% decrease in gross profit as compared to 2021. However, the Group has still maintained strong cash flows, with stable EBITDA maintaining at approximately RMB3.2 billion in both 2021 and 2022. The Group's net gearing ratio has in turn increased from 42.3% in 2021 to 55.9% in 2022, as a result of the increase in borrowings for capacity development during the year. The ratio is still maintained at a low industry level to provide a healthy statement of financial positions in the Group.

DIVIDEND

Having considered the Group's stable net profit for the year ended 31 December 2022, the Board has recommended payment of a final dividend of RMB6.7 cents per ordinary share for this financial year.

OPERATIONS

In 2022, 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. 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

Operation at the Group's plant in Xinjiang have been declining in 2022. 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. In Guizhou, the Group has also recorded a declined sales volume and an increased cement ASPs. 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

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. 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 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 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.

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.

In 2022, the economy was still under the impact of the COVID-19 outbreak, the overall sales volume in PRC were declining. However, the Group was able to keep stable margins even under the continuous high raw materials and coal prices through the maintenance of the other costs at a comparatively stable level. 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.

ENVIRONMENTAL PROTECTION SOLUTIONS & SAFETY

The Group's work in energy conservation, emission controls and environmental protection solutions have continued to be a major focus in 2022. The Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in China. This equipment reduces nitrogen oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants in China having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation.

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

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 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 safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

OUTLOOK

In 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

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2022. I would also like to thank our shareholders for their continuing support of our Group in the past and into the future.

Zhang Jimin
Chairman

27 March 2023

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 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 2023 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 2022, 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 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 RMB100.4 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 from 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 12 to the consolidated financial statements below.

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 24, 32, 37, 33 and 48 to the consolidated financial statements below 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 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 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 expects 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 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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

BOARD OF DIRECTORS

Responsibilities of the Board

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

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

Board Composition

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2022, comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Board members are listed below:

Executive Directors:

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

Non-executive Directors:

Mr. Ma Zhaoyang
Mr. Shi Guanglei (resigned with effect from 19 April 2022)
Mr. Wang Jingqian (appointed with effect from 19 April 2022)
Mr. Fan Changhong

Independent non-executive Directors:

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

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

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

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

Biographical information of the Directors is set forth on pages 39 to 43 of this annual report.

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

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

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

To ensure that independent views and input are available to the Board, the Board strictly complies with the Listing Rules, the Code and nomination policy to assess and ensure the independence of the independent non-executive Directors. Each committee of the Board is authorised to engage external legal, financial or other independent professional advisers or other persons to enable it to discharge its duties as it considers necessary. For the year ended 31 December 2022, the aforesaid mechanisms were implemented effectively.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2022, the roles and duties of the Chairman and the Chief Executive Officer of the Company were carried out by different individuals and had been clearly defined in writing.

During the year ended 31 December 2022, the Chairman of the Board was Mr. Zhang Jimin and the Chief Executive Officer was Dr. Ma Weiping. The positions of Chairman and Chief Executive Officer were held by separate persons in order to preserve independence and a balance of views and judgements. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2022, there were two in-house seminars conducted covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance ("SFO").

Details regarding the trainings attended by the Directors during the year ended 31 December 2022 are as follows:

Directors	External training	In-house training
Executive Directors		
Mr. Zhang Jimin	–	2/2
Dr. Ma Weiping	–	2/2
Non-Executive Directors		
Mr. Ma Zhaoyang	–	2/2
Mr. Shi Guanglei (resigned on 19 April 2022)	–	–
Mr. Wang Jingqian (appointed on 19 April 2022)	–	2/2
Mr. Fan Changhong	–	2/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	10	2/2
Mr. Tam King Ching Kenny	35	2/2
Mr. Zhu Dong	–	2/2

DELEGATION BY THE BOARD

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

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

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

BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2022, two Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

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

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2022 ("2022 AGM") during the year ended 31 December 2022:

Directors	Number of Board meetings attended	2022 AGM attended
Mr. Zhang Jimin	2/2	1/1
Dr. Ma Weiping	2/2	1/1
Mr. Ma Zhaoyang	2/2	1/1
Mr. Shi Guanglei (resigned on 19 April 2022)	1/2	0/1
Mr. Wang Jingqian (appointed on 19 April 2022)	1/2	1/1
Mr. Fan Changhong	2/2	1/1
Mr. Lee Kong Wai Conway	2/2	1/1
Mr. Tam King Ching Kenny	2/2	1/1
Mr. Zhu Dong	2/2	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. 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.

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

— making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignations and dismissals;

— reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

— developing and implementing policy on engagement of an external auditor to supply non-audit services;

— identifying and making recommendations on any matters where action or improvement is needed and reporting to the Board on the same;

— monitoring integrity of the Group's financial statements, annual reports and accounts, interim reports and reviewing significant financial reporting judgements contained in them;

— considering any significant or unusual items that are, or may need to be, reflected in the reports or accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

— reviewing the Group's financial controls, internal control and risk management systems;

— discussing with the management the internal control system and ensuring that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function;

— considering any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

— ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;

— reviewing and monitoring the effectiveness of the internal audit function;

— reviewing the Group's financial and accounting policies and practices;

— reviewing the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts, or systems of control and management's response;

— ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

— acting as key representative body for overseeing the Company's relations with the external auditors;

— reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

— reporting to the Board on the matters in the Code;

— establishing a whistle blowing policy and system for employees and those who deal with the Company to raise concerns, in confidence;

— performing the Company's corporate governance functions, including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the code and disclosures in the Corporate Governance Report;

— considering any other topics as defined by the Board.

The table below sets out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2022.

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

REMUNERATION COMMITTEE

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

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

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

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

— reviewing and making recommendations to the Board about the Group's policy and structure for all remuneration of Directors and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goal and objectives;

— determining, with delegated responsibility, on the remuneration packages of individual executive directors and senior management, and making recommendation to the Board on the remuneration of non-executive directors;

— reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct; and

— ensuring that no director or any of his associates is involved in deciding his own remuneration.

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2022.

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

REMUNERATION OF DIRECTORS

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

NOMINATION COMMITTEE

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

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

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

Although all the Directors are male directors, the Board is actively seeking for suitable female candidates and intends to have at least one female Director in the Board no later than 31 December 2024. The ultimate decision will be based on merits and contributions which the selected candidates will bring to the Board. As at 31 December 2022, our workforce (including senior management) consisted of 5,245 male employees and 1,119 female employees, representing approximately 82.42% and 17.58% of the total workforce, respectively. Further details of gender ratio and labour force, please refer to the Environmental, Social and Governance Report of the Company.

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

No separate meeting of the Nomination Committee was held during the year ended 31 December 2022 and the members of the Nomination Committee discussed (among others) composition of the board in board meeting during the year.

INTERNAL CONTROL

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

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

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

The Company established a whistleblowing policy and system for employees and those who deal with the Group to raise concerns, in confidence and with anonymity, where desired, about actual or suspected cases of impropriety in any matter related to the Group. For details, please refer to the Environment, Social and Governance Report of the Company.

The Company also established the Anti-Fraud, Anti-Money Laundering and Anti-Bribery Policy which sets out the Company's policy and systems that promote and support compliance with applicable anti-fraud, antibribery and corruption laws and regulations. For details, please refer to the Environment, Social and Governance Report of the Company.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the consolidated financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. The Directors also ensure that the consolidated financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 57 of this annual report.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on pages 57 to 61 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2022 is as follows:

	2022 RMB'000
Audit services	4,150
Non-audit services	980
Total	5,130

INVESTOR RELATIONS

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

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

The Board established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring the Shareholders are provided with timely access to comprehensive, equal and understandable information about the Company.

During the year, the executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2021 Annual Results and our 2022 Interim Results. In addition, the Company has participated in a number of major investor conferences as well as other communications with investors and market participants.

The Company maintains its open communication policy and deliver information to Shareholders through various channels. The Company's website (www.westchinacement.com) is maintained with comprehensive information regarding our operations, financial information, announcements, annual and interim reports and shareholder circulars. The Company also has a dedicated Investor Relations email address (ir@westchinacement.com) allowing investors direct communication with our IR representatives.

The Company has reviewed the implementation of the shareholders' communication policy in 2022 and based on the information set out the paragraphs above, considers the shareholders' communication policy effective.

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

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

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

- Eligible Shareholders (as defined below) may submit a written requisition (the "Requisition") to the Directors or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the Requisition. For this purpose, "Eligible Shareholder(s)" means any one or more Shareholders holding at the date of deposit of the Requisition not less than five (5) percent of the paid up capital of the Company carrying the right of voting at general meetings of the Company.

- Eligible Shareholders who wish to convene an extraordinary general meeting must deposit the Requisition signed by the Eligible Shareholder(s) concerned at the registered office of the Company at 13 Castle Street, St. Helier, Jersey JE1 1ES, Channel Islands for the attention of the Company Secretary of the Company.

- The Requisition must state clearly the name(s), the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) concerned must prove his/her/their shareholding in the Company to the satisfaction of the Company.

- The Company will check the Requisition, and the identity and the shareholding of the Shareholder will be verified with the Share Registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to consider convening an extraordinary general meeting within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting.

- If within 21 days from the date of deposit of the Requisition the Directors fails to proceed to convene such extraordinary general meeting within 2 months of such date, the Eligible Shareholders(s) concerned, or any of them representing more than one half of the voting rights of all of them, may themselves call for an extraordinary general meeting in accordance with the relevant provisions of the Companies (Jersey) Law 1991 and the memorandum and articles of association of the Company, but such extraordinary general meeting so called shall not be held after 3 months from that date, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

- At any extraordinary general meeting called pursuant to the Requisition, unless such meeting is called by the Directors, no business other than that stated in the Requisition as the objects of the meeting shall be transacted.

Making enquiry to the Board

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

DIVIDEND POLICY

1. Introduction

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

2. Purpose

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

3. Considerations

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

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

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

4. Review

4.1 This Policy reflects the Company's views on the financial and cash-flow position of the Group prevailing at the time of its adoption and shall in no way constitute a legally binding commitment by the Company of its future dividend.

4.2 The Board shall review and reassess the Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

5. Reporting

5.1 The Company shall disclose the decision on whether or not to declare, recommend or pay any dividend, including the rate and amount of the dividend and the expected payment date immediately after the decision from the Board and in its financial statements in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

5.2 The Company shall disclose the dividend policy in its Corporate Governance Report incorporated in the annual report as required under Appendix 14 to the Listing Rules.

Directors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 68, the founder of the Group, is currently the Chairman and executive Director of the Company. He is responsible mainly for the Group's overall strategic planning and investment decisions. Mr. Zhang is also a director of a number of the Group's subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

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

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

Mr. Zhang also holds several industry associations and political positions. He is the Chairman of the Shaanxi Province Cement Association, an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory regime, maintaining fair market competition, providing technology and human resources and assisting the Shaanxi Government in regulating the cement industry in Shaanxi Province. Mr. Zhang was also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress and participated in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province. Mr. Zhang was also the Vice President of the China Cement Association.

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

Mr. Cao Jianshun — Chief Executive Officer

Mr. Cao, aged 50, was appointed as an executive Director and chief executive officer on 2 February 2023. Mr. Cao graduated with a bachelor's degree in economics management from Party School of Shaanxi Provincial Committee of the C.P.C (中共陝西省委黨校) and a master's degree in business administration from Northwest University in China. Mr. Cao has extensive management and technical experience in the building materials industry in China. He joined Yaobai Special Cement Group Co., Ltd. (the "Yaobai Group"), a wholly-owned subsidiary of the Company, in March 1994 and has held various key positions successively, including (i) director of Cement Machinery Factory of Yaobai Group from January 1997 to August 2005; (ii) director of No. 1 Cement Factory of Pucheng Yaobai Special Cement Co., Ltd. (蒲城堯柏特種水泥有限公司) (the "Pucheng Yaobai") from August 2005 to June 2008; (iii) manager of Ankang Yaobai Cement Co., Ltd. (安康市堯柏水泥有限公司) from June 2008 to December 2012; and (iv) general manager in the Ankang Region of Yaobai Group from January 2013 to December 2015. Besides, Mr. Cao served as general manager of Chzhungtsai Mohir Cement LLC (中材國際莫伊爾水泥有限責任公司) from January 2016 to December 2018 and vice president of International Cement Investment Management Company (國際水泥投資管理公司) from January 2019 to January 2023. He has been the chairman and president of Yaobai Group since January 2023. With extensive experience in the building materials industry, Mr. Cao won the "Shaanxi Provincial Building Materials Industry Advanced Individual" award.

Mr. Chu Yufeng — Chief Financial Officer

Mr. Chu, aged 45, was appointed as an executive Director on 2 February 2023. Mr. Chu graduated with a bachelor's degree in international accounting from Xi'an JiaoTong University in June 1999 and a master's degree in business administration from an international business program jointly organised by Maastricht School of Management of Netherlands and Independent University of Bangladesh in June 2005. Mr. Chu has extensive experience in financial management. He joined the Group in July 2012 and has held various key positions successively, including (i) deputy director of finance department of Yaobai Group from July 2012 to July 2013; (ii) supervisor of internal audit department of Yaobai Group from August 2013 to July 2014; (iii) director of finance department of Yaobai Group from August 2014 to December 2016; (iv) general manager of finance department of Yaobai Group from January 2017 to December 2019; (v) chairman of Xi'an Guangxin Microfinance Co., Ltd. (西安光信小額貸款有限公司) from January 2019 to December 2021; and (vi) vice president of Yaobai Group from January 2020 to December 2021. He has been the chief financial officer of the Company and the vice president of West Holding since January 2020 and January 2022, respectively. Prior to joining the Group, Mr. Chu served as accountant of Shaanxi Import and Export Corporation (陝西省進出口公司) from October 1999 to July 2002; chief financial officer of Sino-Bangladesh Ceramic Industry Co., Ltd. (中孟陶瓷工業有限公司) from November 2002 to October 2007; finance manager of Cooper Xi'an Fusegear Limited Company (庫柏西安熔斷器有限公司) from November 2007 to August 2008; finance manager of Xi'an Branch of IBM China Investment Co., Ltd (國際商業機器(中國)投資有限公司) from September 2008 to October 2010; and deputy finance director of Fuping Branch of Italcementi Group (義大利水泥集團) from October 2010 to June 2012. Mr. Chu is a member of the Association of Chartered Certified Accountants.

Mr. Wang Fayin — Chief Executive Officer (West Holding Group)

Mr. Wang, aged 52, was appointed as an executive Director on 2 February 2023. Mr. Wang obtained an associate diploma in electric application technology from Luoyang Institute of Science and Technology (洛陽工業高等專科學院). Mr. Wang has extensive experience in production technology. He joined the Group in May 1996 and has held various key positions successively, including (i) director of mechanical and electrical workshop at Shaanxi Province Pucheng County Hanjing Cement Industrial Company (陝西省蒲城罕井水泥工業公司) from May 1996 to August 1999; (ii) supply manager and deputy director of production technology department of Yaobai Group from August 1999 to December 2003; (iii) deputy chief engineer and director of equipment department at Pucheng Yaobai from January 2004 to December 2004; (iv) deputy manager of Yaobai Group from January 2005 to December 2006; (v) deputy manager and project manager of Xi'an Lantian Yaobai Cement Co., Ltd. (西安藍田堯柏水泥有限公司) from January 2007 to November 2008; (vi) project manager and manager of Hanzhong Yaobai Cement Co., Ltd. (漢中堯柏水泥有限公司) from November 2008 to September 2010; (vii) production director of Yaobai Group from October 2010 to July 2012; (viii) manager in the Xi'an Region of Yaobai Group from July 2012 to December 2012; (ix) general manager in the Fuping Region of Yaobai Group from January 2013 to July 2016; and (x) general manager of production technology department and vice president of Yaobai Group from July 2016 to December 2017 and from January 2018 to March 2021, respectively. He has been the president of West International Holding Limited (西部國際控股有限公司) (the "West Holding") since April 2021. With extensive experience in the building materials industry, Mr. Wang won the "National Building Materials Industry Role Model" award.

Non-executive Directors

Mr. Ma Zhaoyang

Mr. Ma, aged 54, was appointed as a non-executive Director of the Company on 29 July, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with the Company in respect of the overall strategic planning and operation of its business. Mr. Ma has been the chairman and director of International Cement Group Ltd., a company listed on the main board of the Singapore Exchange since November 2015.

Mr. Wang Jingqian

Mr. Wang, aged 39, was appointed as a non-executive Director on 19 April 2022. Mr. Wang graduated from Xi'an Polytechnic University, the PRC in July 2004. Mr. Wang has extensive experience in financial management. He is currently a deputy director (work assignment) of the finance department and the secretary of the mission committee of Anhui Conch Cement Company Limited ("Anhui Couch"). Prior to that, from September 2005 to June 2013, Mr. Wang has served as a financial director of the finance department, an assistant to the head of the finance department and a deputy director of the financial department of Anhui Conch. From July 2013 to April 2014, he has also served as a regional member of the Northern Anhui Regional Committee and the chief accountant of Anhui Tongling Conch Cement Co., Ltd.. From May 2015 to December 2015, he was a regional member of the Zhejiang Regional Committee and the chief accountant of Jiande Conch Cement Co., Ltd..

Mr. Fan Changhong

Mr. Fan, aged 57, was appointed as a non-executive Director of the Company on 15 July 2019. Mr. Fan graduated from Wuhan University of Technology in 1986 with a bachelor's degree in engineering. Mr. Fan has rich experience in cement production management and external communication. Mr. Fan served as the regional director of Anhui Conch Cement Company Limited ("Conch Cement") (Shanghai area) from May 2013 to April 2019, responsible for market operation and resource co-ordination of Conch Cement in Shanghai, Su-Xi-Chang Area and Nantong. Meanwhile, he also served as the general manager of Shanghai Conch Cement Company Limited and Shanghai Conch Cement Sales Company Limited, responsible for the production and operation management of the two companies. He then also served as the general manager of Conch Mingzhu Cement Company Limited from March 2016 to April 2019, responsible for the production and operation management of the company. Mr. Fan is currently the regional director of Conch Cement (Shaanxi and Gansu area) and the general manager of Pingliang Conch Cement Co., Ltd ("Pingliang Conch"), responsible for the market operation and resource co-ordination of Conch Cement in Shaanxi and Gansu and the production and operation management of Pingliang Conch

Independent non-executive Directors

Mr. Lee Kong Wai Conway

Mr. Lee, aged 68, was appointed as an independent non-executive Director of the Company on 29 July, 2010. Mr. Lee serves as Chairman of the audit committee of the Company, member of the remuneration committee of the Company, and also member of the nomination committee of the Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited and Guotai Junan Securities Limited, companies listed on the main board of the HKSE and Intchains Group Limited, a company listed on the NASDAQ, since July 2010, November 2010, March 2011, November 2012, November 2013 and April 2017 and March 2023, respectively. He was also an independent non-executive director of China Taiping Insurance Holdings Company Limited, Merry Garden Holdings Limited, Citic Securities Company Limited, Tibet Water Resources Ltd., China Rundong Auto Group Limited and WH Group Limited, companies which are listed on the main board of the HKSE, from October 2009 to August 2013, from July 2014 to September 2015, from November 2011 to May 2016, from March 2011 to February 2020, from August 2014 to December 2020 and from August 2014 to June 2022, respectively, and Sino Vanadium Inc., which was listed on TSX Venture Exchange in Canada, between October 2009 and December 2011. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to December 2017.

Mr. Zhu Dong

Mr. Zhu, aged 61, was appointed as an independent non-executive Director of the Company on 15 July 2019. Mr. Zhu graduated in 1982 from Guangxi University with a bachelor degree in mechanical engineering and he finished a program of Master of Business Administration held by Tsinghua University in 1996. Mr. Zhu has approximately 30 years of experience in capital markets and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. From August 1982 to November 1992, Mr. Zhu worked at various departments in the PRC government. He served as a senior manager at the Peregrine Investment Group form May 1994 to May 1998. He was the managing director at the BMP Paribas Capital (Asia Pacific) Limited form May 1998 to July 2011. Form September 2011 to May 2016, he was the managing director of Nomura International (Hong Kong) Limited. Mr. Zhu is currently an independent non-executive director of HPC Holdings Limited, a company listed on the Stock Exchange.

Mr. Tam King Ching Kenny

Mr. Tam, aged 73, was appointed as an independent non-executive Director of the Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of the Company and also the members of the audit committee and nomination committee of the Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of the Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam is a member of the Restructuring and Insolvency Faculty Executive Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam has also served as an independent non-executive director of seven other listed companies on the main board of the HKSE, namely, Kingmaker Footwear Holdings Limited, CCT Fortis Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited, BeijingWest Industries International Limited and Wisdom Education International Holdings Company Limited, since May 1994, December 1999, February 1996, July 2004, September 2004, January 2014 and January 2017, respectively. He was also an independent non-executive director of Greater Bay Area Investments Group Holdings Limited from February 2016 to September 2022.

Mr. Feng Tao

Mr. Feng, aged 66, was appointed as an independent non-executive Director of the Company on 28 February 2023. Mr. Feng graduated with a bachelor's degree in geophysics from Chang'an University (長安大學) (formerly known as Xi'an Institute of Technology 西安工程學院) in June 1982 and a doctorate degree in economics from Xi'an Jiaotong University (西安交通大學) (formerly known as Shaanxi Institute of Finance & Economics 陝西財經學院) in June 1997.

Mr. Feng has extensive teaching and research experience in the field of economics. He worked at Shaanxi Institute of Finance & Economic (陝西財經學院) and held various key positions between July 1986 to July 2000, including (i) head of teaching-research department from December 1986 to June 1990; (ii) deputy head of economics department from September 1990 to June 1992; (iii) head of economics department from September 1992 to July 2000; (iv) associate professor from October 1992 to June 1997; and (v) professor from June 1997 to July 2000. In 2000, Xi'an Jiaotong University (西安交通大學), Xi'an Medical University (西安醫科大學) and Shaanxi Institute of Finance and Economics (陝西財經學院) merged and established the School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院). Mr. Feng worked at the School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院) and held various key positions successively from July 2000 to March 2022, including (i) deputy dean from July 2000 to June 2004; and (ii) doctoral supervisor in the field of international economics and investment from September 2000 to March 2022. Mr. Feng retired from the School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院) in March 2022. Currently Mr. Feng is a member of fiscal and finance team of Shaanxi Provincial Government Decision-making Consultation Committee and the team leader of fiscal and finance team of Xi'an City Decision-Making Consultation Committee.

In recent years, Mr. Feng has presided over various projects of the National Social Science Fund of China (國家社會科學基金), key projects of the Ministry of Education, and other provincial and ministerial-level projects. Besides, he has published eight monographs and textbooks, and published more than 120 papers in journals such as Economics Quarterly, The Economist, and Financial Research.

SENIOR MANAGEMENT

Yaobai Group

Ms. Wangrui — Chief Executive Officer

Ms. Wang, aged 45, is the chief executive officer of Yaobai Group and primarily responsible for overseeing the overall operation of Yaobai Group. Ms. Wang obtained an MBA degree from Hong Kong Economy & Trading Management Academy in July 2010. She joined the Group in 1998 and held several positions including office manager, assistant manager, chief administration officer, general manager of materials company, and general manger of sales company, etc. In January 2020, Ms. Wang was appointed as the chief executive officer of the Yaobai Group. She has won several rewards, such as Outstanding Communist Party Member of Ministry of Industry and Information of Shaanxi Province (陝西省工信廳中共優秀共產黨員), and Outstanding Entrepreneur of National Building Material Industry (全國建材行業優秀企業家).

West China Cement Limited

Mr. Chan King Sau — Financial Controller and Company Secretary

Mr. Chan, aged 45, joined the Company on 1 June, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. He was also appointed as the company secretary of the Company in June 2012. In January 2020, Mr. Chan was designated as the financial controller of the Company. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Directors' Report

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are the manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on pages 156 to 158 of this annual report. In addition to the principal cement business, one of the subsidiaries of the Company, Guangxin International, was approved by the Ministry of Commerce of the PRC as a licenced lessor and commenced financial leasing business.

BUSINESS REVIEW

The business review of the Group as at 31 December 2022 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 16 to 29.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2022, these systems were operational at 14 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 22,000 tons per million tons of cement production.

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

MAIN RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cement. It is exposed to a variety of risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the above main risks and measures for risk reduction are set out in the section headed "Management Discussion and Analysis" and Note 49 of the consolidated financial statements below.

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

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

Regulators

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

During the year ended 31 December 2022, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

Shareholders

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

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 2 June 2023 (Friday).

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).

TAX RELIEF

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the movements in reserves on page 167 and the consolidated statement of changes in equity on page 65, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB4,829.9 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2022 amounted to RMB6.5 million (2021: RMB6.8 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group, during the year ended 31 December 2022 are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year under review are set forth in Note 40 and Note 45 to the consolidated financial statements, respectively.

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.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", as at the end of and during the year ended 31 December 2022, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, total sales attributable to the largest customer of the Group was approximately 2.8% of total sales of the Group and total sales attributable to the top five customers of the Group were approximately 8.3% of total sales of the Group.

For the financial year ended 31 December 2022, total purchase attributable to the largest supplier accounted for approximately 13.9% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 37.5% of total purchases of the Group.

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

DIRECTORS

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

Executive Directors

Mr. Zhang Jimin *(Chairman)*
Dr. Ma Weiping *(Chief Executive Officer)* (resigned on 2 February 2023)
Mr. Cao Jianshun *(Chief Executive Officer)* (appointed on 2 February 2023)
Mr. Chu Yufeng *(Chief Financial Officer)* (appointed on 2 February 2023)
Mr. Wang Fayin (appointed on 2 February 2023)

Non-executive Directors

Mr. Ma Zhaoyang
Mr. Shi Guanglei (resigned on 19 April 2022)
Mr. Wang Jingqian (appointed on 19 April 2022)
Mr. Fan Changhong

Independent non-executive Directors

Mr. Lee Kong Wai Conway
Mr. Tam King Ching Kenny
Mr. Zhu Dong
Mr. Feng Tao (appointed on 28 February 2023)

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

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

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set forth on pages 39 to 43 of this annual report.

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

Details of the emoluments of the Directors and the five highest paid individuals of the Company during the year ended 31 December 2022 are set in Note 15 and Note 16 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

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

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in Note 46 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

MANAGEMENT CONTRACTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executive's Interests and Short Positions" and the "Share Option Scheme" below, at no time during the year ended 31 December 2022 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

The related party transactions set out in Note 47 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares held as at 31 December 2022 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 31 December 2022
Zhang Jimin	Interest of a controlled corporation	1,756,469,900 (L) *(Note 2)*	32.30%
Ma Zhaoyang	Interest of a controlled corporation	221,587,950 (L) *(Note 3)*	4.07%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) These shares are held by Asia Gain Investments Limited ("Asia Gain") which is beneficially and wholly-owned by Zhang Jimin.

(3) These shares are held by Techno Faith Investments Limited ("Techno Faith") and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

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

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 31 December 2022
Zhang Jimin	Beneficial owner	8,175,000	0.150%
Ma Weiping	Beneficial owner	9,075,000	0.167%
Ma Zhaoyang	Beneficial owner	1,775,000	0.033%
Lee Kong Wai, Conway	Beneficial owner	1,275,000	0.023%
Tam King Ching, Kenny	Beneficial owner	1,775,000	0.033%

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the HKSE pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2022, the Directors were not aware of any business or interest of the Directors or any controlling shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

		As at 31 December 2022	
Name of shareholder	**Capacity**	**Number of ordinary shares of held** *(Note 1)*	**Approximate % of issued share capital of the Company**
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,584,849,970 (L)	29.14%
Anhui Conch Cement Co., Ltd. ("Conch Cement") *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
安徽海螺集團有限責任公司*(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
AllianceBernstein L.P	Beneficial owner	271,782,000 (L)	5.00%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.

(3) Conch is beneficially and wholly-owned by Conch Cement, which is owned as to 36.78% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is indirectly controlled by China Conch.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 31 December 2022 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

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

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2022.

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

SHARE OPTION SCHEME

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

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

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

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

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

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

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

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

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

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

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

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

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2022:

Category and name of participant	Date of grant of share options (Note)	Vesting period	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Cancelled during the year ended 31 December 2022	Outstanding as at 31 December 2022
					Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme					
Directors										
Zhang Jimin	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	2,000,000	–	–	–	–	2,000,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	2,775,000	–	–	–	–	2,775,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	3,400,000	–	–	–	–	3,400,000
Ma Zhaoyang	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Ma Weiping	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	8,000,000	–	–	–	–	8,000,000
Lee Kong Wai, Conway	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	250,000	–	–	–	–	250,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Tam King Ching, Kenny	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Other employees (Group A)	22 March 2013	22 March 2013 to 21 March 2014	1.25	22 March 2014 to 21 March 2023	6,750,000	–	–	–	–	6,750,000
	24 March 2014	24 March 2014 to 23 March 2015	0.91	24 March 2015 to 23 March 2024	16,625,000	–	–	–	–	16,625,000
	13 April 2015	13 April 2015 to 12 April 2016	1.45	13 April 2016 to 12 April 2025	11,200,000	–	–	–	–	11,200,000
Total					56,650,000	–	–	–	–	56,650,000

Notes:

1. The closing prices of the shares of the Company on 22 March 2011, 21 March 2013, 21 March 2014 and 10 April 2015, being the dates immediately before the dates on which the share options were granted, were HK$3.32, HK$1.25, HK$0.91 and HK$1.37 per share, respectively.

2. The vesting of Share Options granted under the Share Option Scheme on each of 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015 is conditional upon the achievement of certain performance targets as set out in the respective offer letters, including among others, achievement of strategic goals and financial and operational performance targets, during the vesting period and the exercise period of the Share Options.

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

   (i) 25% of the Share Options will be exercisable at any time on and after the end of the first anniversary (or the end of the third anniversary for some of the other employees of the Group) of the grant of the Share Options;

   (ii) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraph (i) above will be exercisable at any time commencing from the end of the second anniversary (or the end of the fourth anniversary for some of the other employees of the Group) of the grant of the Share Options;

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

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

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

3. Given the Post-IPO Share Option Scheme expired on 30 March 2020, there is no option available for grant under the scheme throughout the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2022 and as at the date of this annual report.

AUDITORS

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

On behalf of the Board of Directors
Zhang Jimin
Chairman

27 March 2023

Deloitte. 德勤

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED
(incorporated in Jersey with limited liability)

OPINION

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 167, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for past due loan receivables	
We identified the impairment assessment of the past due loan receivables as a key audit matter due to the significance of the past due loan receivables to the Group's consolidated financial statements and the involvement of significant judgement and management estimates in assessing the expected credit losses ("ECL") of the Group's past due loan receivables at the end of the reporting period. As disclosed in Note 24 to the consolidated financial statements, as at 31 December 2022, the Group had past due loan receivables of approximately RMB629,660,000 which represented approximately 2.1% of the total assets of the Group. As detailed in Notes 3 and 4 to the consolidated financial statements, the ECL measurement involves significant management judgement and management estimates, with the involvement of: (i) the selection of appropriate models and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model.	Our procedures in relation to the impairment assessment of the past due loan receivables included: • Obtaining an understanding of the Group's key controls on how the management estimates the credit loss allowance for the past due loan receivables; • Testing the completeness and accuracy of the input data of the ECL model on a sample basis, as well as the mathematical accuracy of the ECL model; • Selecting samples to understanding and assessing the management's approach on the reasonableness of expected recoverable amounts of collaterals; and • With the support of our internal modelling specialist and industry specialist, reviewing and assessing on the appropriateness of the ECL model used, and the reasonableness of the key inputs adopted by the management, including PD, LGD and forward looking information.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2023

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	5	**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	6	**451,912**	252,958
Selling and marketing expenses		**(75,197)**	(74,499)
Administrative expenses		**(604,845)**	(554,316)
Other expenses	11	**(64,937)**	(24,326)
Other gains and losses, net	7	**(52,454)**	386,608
Impairment losses under expected credit loss model, net of reversal	8	**(68,885)**	(189,450)
Share of result of an associate		**–**	1,904
Share of result of a joint venture		**(6,407)**	(190)
Interest income	9	**168,898**	169,416
Finance costs	10	**(416,616)**	(261,081)
Profit before tax	11	**1,513,299**	2,083,591
Income tax expense	12	**(169,184)**	(300,639)
Profit for the year		**1,344,115**	1,782,952
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	14		
— Basic (RMB)		**0.224**	0.291
— Diluted (RMB)		**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	17	**18,195,355**	13,884,979
Investment properties		**47,059**	–
Right-of-use assets	18	**827,334**	823,707
Mining rights	19	**1,528,031**	1,117,095
Other intangible assets	20	**543,560**	232,195
Interest in a joint venture	22	**3,403**	9,810
Equity investment at fair value through profit or loss ("FVTPL")	23	**92,593**	162,181
Loan receivables	24	**401,847**	323
Deferred tax assets	25	**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	27	**18,472**	2,884
Amount due from a joint venture	29	**634,827**	534,064
		23,389,144	17,813,465
Current assets			
Inventories	26	**1,488,858**	1,111,169
Trade and other receivables and prepayments	27	**2,990,695**	2,497,218
Loan receivables	24	**324,654**	1,004,581
Investment in entrusted product	30	**–**	81,855
Pledged/restricted bank deposits	31	**621,627**	632,348
Cash and cash equivalents	31	**1,424,275**	3,507,715
		6,850,109	8,834,886
Current liabilities			
Borrowings	32	**3,156,533**	2,725,704
Medium-term notes	37	**714,431**	524,132
Trade and other payables	34	**4,877,402**	3,788,985
Dividend payables		**88,410**	8,000
Contract liabilities	35	**453,687**	257,925
Deferred income	38	**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

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings	32	**1,457,917**	1,291,488
Medium-term notes	37	**–**	712,284
Asset retirement obligation	36	**335,693**	337,043
Deferred tax liabilities	25	**459,456**	83,783
Deferred income	38	**28,254**	27,771
Senior notes	33	**4,204,158**	3,876,911
Other long-term payables	39	**887,028**	792,826
		7,372,506	7,122,106
Net assets		**13,391,751**	11,791,627
Capital and reserves			
Share capital	40	**141,837**	141,837
Share premium and reserves	41	**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

The consolidated financial statements on pages 62 to 167 were approved and authorised for issue by the Board of Directors on 27 March 2023 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Cao Jianshun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 *(Note 41)*	Translation reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000 *(Note 41)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	141,837	2,484,484	(250,227)	(3,552)	24,034	1,254,149	6,680,077	10,330,802	196,415	10,527,217
Profit for the year	–	–	–	–	–	–	1,585,070	1,585,070	197,882	1,782,952
Exchange differences on translation of foreign operations	–	–	–	54,951	–	–	–	54,951	33,679	88,630
Profit and total comprehensive income for the year	–	–	–	54,951	–	–	1,585,070	1,640,021	231,561	1,871,582
Transfer to statutory reserve	–	–	–	–	–	122,020	(122,020)	–	–	–
Share options lapsed *(Note 45)*	–	–	–	–	(1,310)	–	1,310	–	–	–
Appropriation of maintenance and production funds *(Note a)*	–	–	–	–	–	61,521	(61,521)	–	–	–
Utilisation of maintenance and production funds *(Note a)*	–	–	–	–	–	(25,796)	25,796	–	–	–
Acquisition of a subsidiary *(Note 42)*	–	–	–	–	–	–	–	–	66,667	66,667
Dividends recognised as distribution *(Note 13)*	–	(657,275)	–	–	–	–	–	(657,275)	–	(657,275)
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	3,936	3,936
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(12,500)	(12,500)
Dividends recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	(8,000)	(8,000)
At 31 December 2021	141,837	1,827,209	(250,227)	51,399	22,724	1,411,894	8,108,712	11,313,548	478,079	11,791,627
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,214,746**	**1,214,746**	**129,369**	**1,344,115**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(23,758)**	**-**	**-**	**-**	**(23,758)**	**(11,955)**	**(35,713)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**(23,758)**	**-**	**-**	**1,214,746**	**1,190,988**	**117,414**	**1,308,402**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**231,725**	**(231,725)**	**-**	**-**	**-**
Appropriation of maintenance and production funds *(Note a)*	**-**	**-**	**-**	**-**	**-**	**65,213**	**(65,213)**	**-**	**-**	**-**
Utilisation of maintenance and production funds *(Note a)*	**-**	**-**	**-**	**-**	**-**	**(27,511)**	**27,511**	**-**	**-**	**-**
Acquisition of subsidiaries *(Note 42)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**803,583**	**803,583**
Dividends recognised as distribution *(Note 13)*	**-**	**(473,183)**	**-**	**-**	**-**	**-**	**-**	**(473,183)**	**-**	**(473,183)**
Acquisition of non-controlling interests *(Note b)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,500)**	**(22,500)**
Capital injection by non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,647**	**10,647**
Dividends recognised as distribution to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26,825)**	**(26,825)**
At 31 December 2022	**141,837**	**1,354,026**	**(250,227)**	**27,641**	**22,724**	**1,681,321**	**9,054,031**	**12,031,353**	**1,360,398**	**13,391,751**

Notes:

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

b. On 29 January 2022, the Group entered into agreements with the non-controlling shareholders of Shaanxi Fengshengdeyuan Industrial Co., Ltd.* ("Shaanxi Fengsheng") 陝西豐盛德遠實業有限公司 to acquire 45% of the equity interests in Shaanxi Fengsheng from the non-controlling shareholders for a total consideration of RMB22,500,000.

* The English name is for identification purpose.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**1,513,299**	2,083,591
Adjustments for:			
Finance costs		**416,616**	261,081
Interest income		**(168,898)**	(169,416)
Net foreign exchange difference		**(37,058)**	(292,598)
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
Loss on disposal of property, plant and equipment		**11,714**	5,758
Gain on disposal of right-of-use assets		**(58)**	–
Gain on fair value changes of investment in entrusted product		**(5,736)**	(5,600)
Loss (gain) on fair value changes of equity investment at FVTPL		**69,588**	(3,380)
Loss (gain) on disposal of investments in			
— a subsidiary		**–**	218
— an associate		**–**	(79,254)
Impairment loss, net of reversal, under expected credit loss model	8	**68,885**	189,450
Impairment on mining rights		**–**	20,803
Impairment on property, plant and equipment		**–**	96,346
Provision for administrative penalty		**29,778**	–
Write-down (reversal) of inventories		**3,014**	(1,701)
Share of result of an associate		**–**	(1,904)
Share of result of a joint venture		**6,407**	190
Government grants released to profit or loss		**(317,319)**	(14,365)
Operating cash flows before movements in working capital		**2,880,130**	3,174,037
Increase in inventories		**(253,943)**	(367,356)
Increase in trade and other receivables and prepayments		**(13,367)**	(267,342)
Decrease in trade and other payables		**(303,864)**	(276,852)
Increase (decrease) in contract liabilities		**48,533**	(2,669)
Cash generated from operations		**2,357,489**	2,259,818
Income tax paid		**(222,951)**	(300,168)
Net cash from operating activities		**2,134,538**	1,959,650

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Interest received		**132,778**	175,016
Purchase of property, plant and equipment		**(2,847,922)**	(3,401,472)
Purchase of mining rights		**(50,733)**	(135,826)
Purchase of right-of-use assets		**(56,119)**	(232,213)
Purchase of other intangible assets		**(6,547)**	(25,148)
Payment for investment property		**(16,191)**	–
Proceeds from disposal of property, plant and equipment		**72,165**	63,550
Proceeds from disposal of right-of-use assets		**34,284**	–
Proceeds from disposal of structure deposits		**–**	100,000
Proceeds from disposal of entrusted product		**87,591**	–
Refund of prepayment for right-of-use assets		**19,999**	–
Deposit paid for acquisition of a subsidiary		**–**	(80,000)
Deposit paid for acquisition of an associate		**–**	(164,257)
Loans to third parties		**(101,600)**	(24,400)
Repayments received for loans to third parties		**245,326**	179,534
Net cash outflow on acquisitions of subsidiaries	42&43	**(717,728)**	(28,731)
Net cash outflow from disposal of subsidiaries		**–**	(5,033)
Government grants received for acquisition of property, plant and equipment		**3,800**	2,921
Government grants received for demolition of property, plant and equipment		**–**	502,012
Advance to a joint venture		**(64,643)**	(534,064)
Acquisition of additional interest in non-controlling interests		**(20,500)**	–
Withdrawal of restricted/pledged bank deposits		**669,751**	836,721
Placement of restricted/pledged bank deposits		**(659,030)**	(745,238)
Net cash used in investing activities		**(3,275,319)**	(3,516,628)
FINANCING ACTIVITIES			
New borrowings raised		**3,234,061**	4,006,856
Repayments of borrowings		**(2,879,325)**	(2,453,963)
Repayment of medium-term notes		**(500,000)**	–
Proceeds from issuance of senior notes	33	**–**	3,834,221
Dividends paid to non-controlling shareholders of a subsidiary		**(9,000)**	(8,000)
Dividends paid		**(473,183)**	(657,275)
Capital injection by non-controlling interests		**10,647**	3,936
Interest paid		**(462,999)**	(272,353)
Net cash (used in) from financing activities		**(1,079,799)**	4,453,422
Net (decrease) increase in cash and cash equivalents		**(2,220,580)**	2,896,444
Cash and cash equivalents at 1 January		**3,507,715**	651,463
Effect of foreign exchange rate changes		**137,140**	(40,192)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**1,424,275**	3,507,715

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

3.1 Basis for preparation of consolidated financial statements

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

As at 31 December 2022, the Group has net current liabilities position of approximately RMB2,624,887,000. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 31 December 2022, the Group has unused banking facility of approximately RMB1,492,895,000, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these consolidated financial statements;

- subsequent to 31 December 2022, the Group has obtained additional banking facilities of approximately RMB863,638,000, which is made available for the Group to utilise at the date of granting such facilities;

- subsequent to 31 December 2022, the Group had been in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB1,838,042,000 from various banks; and

- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Basis of consolidation *(Cont'd)*

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

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

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

3.2 Significant accounting policies *(Cont'd)*

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

3.2 Significant accounting policies *(Cont'd)*

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

Business combinations *(Cont'd)*

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

Goodwill

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

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

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

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

Interest in an associate and a joint venture

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

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

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

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

Principal versus agent

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

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

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

Leases

Definition of a lease

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

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

The Group as a leasee

Allocation of consideration to components of a contract

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

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

3.2 Significant accounting policies *(Cont'd)*

Leases *(Cont'd)*

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Sale and leaseback transactions

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

The Group as a buyer-lessor

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3.2 Significant accounting policies *(Cont'd)*

Foreign currencies *(Cont'd)*

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Taxation *(Cont'd)*

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

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

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

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

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

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

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

Property, plant and equipment

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

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

3.2 Significant accounting policies *(Cont'd)*

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

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

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

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

Mining assets include primarily the following:

(a) Stripping costs

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

(b) Asset retirement obligation

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

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

3.2 Significant accounting policies *(Cont'd)*

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

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

Mining rights

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Intangible assets *(Cont'd)*

Intangible assets acquired in a business combination *(Cont'd)*

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 31.

Inventories

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

Provisions

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

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

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the condensed consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the condensed consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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

3.2 Significant accounting policies *(Cont'd)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables.

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

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

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

(v) Measurement and recognition of ECL (Cont'd)

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of financial assets

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

Trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 27 and 49, respectively.

Loan receivables

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

The information about the Group's loan receivables and the ECL are disclosed in Notes 24 and 49, respectively.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2022, the carrying amounts of goodwill is RMB480,865,000 (2021: RMB193,357,000) as disclosed in Note 21.

Assets retirement obligation

The estimation of the liabilities for assets retirement obligation involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the assets retirement obligations is RMB335,693,000 (2021: RMB337,043,000) as disclosed in Note 36.

5. REVENUE AND SEGMENT INFORMATION

	2022 RMB'000	2021 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.

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

Operating Segments

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

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

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

Operating Segments *(Cont'd)*

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

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 described in Note 3. 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.

(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.

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

Operating Segments *(Cont'd)*

(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)

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

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 **RMB'000**	2021 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 **RMB'000**	2021 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.

6. 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, details of which is set out in Note 38(b).

7. 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.

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

	2022 RMB'000	2021 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

Details of impairment assessment are set out in Note 49.

9. INTEREST INCOME

	2022 RMB'000	2021 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

10. FINANCE COSTS

	2022 RMB'000	2021 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 *(Note 36)*	**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.

11. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 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**	–

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 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 report, the arbitration is still in 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.

12. INCOME TAX EXPENSE

	2022 RMB'000	2021 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 *(Note 25):*		
Current year	**(109,523)**	(44,708)
Income tax expense	**169,184**	300,639

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first 2 million Hong Kong Dollars ("HK$") of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

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

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

	2022 RMB'000	2021 RMB'000
Profit before tax	**1,513,299**	2,083,591
Tax at domestic income tax rate of 25% (2021: 25%)	**378,324**	520,897
Tax effects on:		
Expenses not deductible for tax purpose	**34,415**	18,318
Income not taxable for tax purpose	**(3,994)**	(26,987)
Additional tax benefit applicable to the Group *(Note a)*	**(93,960)**	(64,105)
Tax holiday and concession rates of group entities *(Note b)*	**(127,801)**	(217,727)
Tax effect of share of result of an associate	**–**	(476)
Tax effect of share of result of a joint venture	**1,602**	47
Tax on interest income on intra-group loans *(Note c)*	**1,118**	1,133
Tax effect of deductible temporary differences not recognised	**77,836**	6,913
Withholding tax on undistributed profits of PRC subsidiaries *(Note d)*	**55,000**	49,300
Tax losses not recognised as deferred tax assets	**30,821**	15,771
Utilisation of tax losses previously not recognised as deferred tax assets	**(129,183)**	(8,081)
Recognition of deferred tax assets on tax losses generated in previous years	**(32,480)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(8,533)**	(6,362)
(Over) under provision in respect of prior years	**(13,981)**	11,998
Tax expense for the year	**169,184**	300,639

Notes:

a. Pursuant to the relevant tax rules and regulation in the PRC, certain expenses in research nature are deductible at 75% or 100% (2021: 75%) of such expenses incurred additionally. The related tax benefit amounted to RMB93,960,000 (2021: RMB64,105,000) for the year ended 31 December 2022.

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

Entities	Place of establishment	Tax rate for the year ended 31 December 2022	2021	Tax benefit
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd.* ("Hetian Yaobai")	Xinjiang	**15%**	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd.* ("Luxin")	Xinjiang	**15%**	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd.* ("Lantian Yaobai")	Shaanxi	**15%**	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd.* ("Fuping")	Shaanxi	**15%**	15%	(i)
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd.* ("Shifeng")	Shaanxi	**15%**	15%	(i)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd.* ("Longqiao Yaobai")	Shaanxi	**15%**	15%	(i)

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December 2022	2021	Tax benefit
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd.* ("Pucheng Yaobai")	Shaanxi	**15%**	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd.* ("Zhonggang Logistics")	Shaanxi	**15%**	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd.* ("Guizhou Linshan")	Guizhou	**15%**	15%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd.*	Shaanxi	**15%**	15%	(i)
韓城堯柏陽山莊水泥有限公司 Hancheng Yangshanzhuang Cement Co., Ltd.* ("Hancheng")	Shaanxi	**15%**	15%	(i)
安康市堯柏水泥有限公司 Ankang Yaobai Cement Co., Ltd.*	Shaanxi	**15%**	15%	(i)
漢中堯柏水泥有限公司 Hanzhong Yaobai Cement Co., Ltd.*	Shaanxi	**15%**	15%	(i)
漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd.* ("Mianxian")	Shaanxi	**15%**	15%	(i)
漢中西鄉堯柏水泥有限公司 Hanzhong Xixiang Yaobai Cement Co., Ltd.* ("Xixiang")	Shaanxi	**15%**	15%	(i)
伊犁堯柏水泥有限公司 Yili Yaobai Cement Co., Ltd.* ("Yili Yaobai")	Xinjiang	**15%**	15%	(i)
銅川藥王山生態水泥有限公司 Tongchuan Yaowangshan Ecological Cement Co., Ltd.* ("Yaowangshan")	Shaanxi	**15%**	15%	(i)
陝西新意達建材產業發展有限公司 Shaanxi Xinyida Building Materials Industry Development Co., Ltd.* ("Xinyida Jiancai")	Shaanxi	**15%**	15%	(i)
陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Co., Ltd.* ("Xinyida Hengzhong")	Shaanxi	**15%**	15%	(i)

* *The English name is for identification purpose only*

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December 2022	2021	Tax benefit
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	**15%**	15%	(i)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	**15%**	15%	(i)
安康堯柏節能環保建材有限公司 Ankang Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	**15%**	15%	(i)
陝西堯柏新材料科技有限公司 Shaanxi Yaobai New Material Technology Co., Ltd.* ("Xincai")	Shaanxi	**15%**	15%	(i)
銅川中港智慧物流有限公司 Tongchuan Zhonggang Intelligent Logistics Co., Ltd.*	Shaanxi	**15%**	15%	(i)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd.* ("Guangxin Yili")	Xinjiang	**0%**	0%	(ii)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	**15%**	15%	(i)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd.*	Shaanxi	**20%**	20%	(iii)
銅川柏雲智能數据技術有限公司 Tongchuan Baiyun Intelligent data technology Co., Ltd.*	Shaanxi	**20%**	20%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd.* ("Moyu Jiancai")	Xinjiang	**7.5%**	12.5%	(iv)
和田堯柏建材有限公司 Hetian Yaobai Building Materials Co., Ltd.* ("Hetian Jiancai")	Xinjiang	**7.5%**	0%	(iv)
陝西豐盛 Shaanxi Fengsheng	Shaanxi	**15%**	15%	(v)
西安柏雲智能數据技術有限公司 Baiyun Intelligent Data Technology Co., Ltd.* ("Baiyun")	Shaanxi	**15%**	15%	(v)
商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd.* ("Xiushan Yaobai")	Shaanxi	**15%**	15%	(v)

* *The English name is for identification purpose only*

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December 2022	2021	Tax benefit
銅川堯柏特種水泥有限公司 Tongchuan Yaobai Cement Co., Ltd.* ("Tongchuan Yaobai")	Shaanxi	**15%**	15%	(i)
安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co. Ltd.* ("Jianghua")	Shaanxi	**15%**	15%	(i)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd.* ("Baian")	Shaanxi	**15%**	15%	(i)
墨玉堯柏水泥有限公司 Moyu Yaobai Cement Co., Ltd.* ("Moyu Yaobai")	Shaanxi	**0%**	0%	(iv)
陝西建達信工程檢測有限公司 Shaanxi Jiandaxin Engineering Testing Co., Ltd.* ("Jiandaxin Engineering")	Shaanxi	**20%**	25%	(iii)
堯柏特種水泥技術研發有限公司 Yaobai Special Cement Technology R&D Co., Ltd.*	Shaanxi	**15%**	15%	(v)
漢中堯柏磊金節能環保建材有限公司 Hanzhong Yaobaileijin Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Hanzhong Yaobaileijin")	Shaanxi	**15%**	25%	(v)
陝西柏能工業技術有限公司 Shaanxi Baineng Industrial Technology Co., Ltd.*	Shaanxi	**15%**	25%	(i)
新疆絲路智運物流有限公司 Xinjiang Silu Zhiyun Logistics Co., Ltd.*	Xinjiang	**15%**	25%	(i)
商洛堯柏節能環保建材有限公司 Shangluo Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Shangluo Yaobai Energy")	Shaanxi	**20%**	25%	(iii)
和田堯柏節能環保建材有限公司 Hetian Yaobo Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Hetian Jieneng")	Xinjiang	**0%**	25%	(iv)
陝西堯柏恒基混凝土有限公司 Shaanxi Yaobo Hengji Concrete Co., Ltd.*	Shaanxi	**15%**	–	(i)
渭南堯柏聚信建築材料有限公司 Weinan Yaobo Juxin Building Materials Co., Ltd.* ("Juxin Building")	Shaanxi	**15%**	–	(i)

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

Notes: (Cont'd)

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

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

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

(iii) Concession rate of 20% were granted to the small and micro enterprises. Apart from the concessional tax rate, additional tax benefits were granted to these entities for the first RMB3,000,000 taxable income as below:

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

During the year ended 31 December 2022, Jiandaxin Engineering and Shangluo Yaobai Energy qualified as small and micro enterprise and hence they are subject to tax rate of 20% for the year ended 31 December 2022.

(iv) Tax incentive of "兩免三減半" was granted to these subsidiaries. The Group's subsidiaries, Moyu Jiancai, Hetian Jiancai, Moyu Yaobai and Hetian Jieneng are entitled to the tax incentive starting from year 2019, 2020, 2021,and 2022 respectively.

In addition, Moyu Jiancai and Hetian Jiancai was originally taxed at 12.5% in 2022 under "兩免三減半" tax incentive. Nevertheless, in 2022, these two entities were granted with further waive of 40% local tax and resulted in the tax rate being 7.5% for 2022.

(v) Three-year tax holidays with 15% tax rate granted to high-tech enterprises in the respective years. During the year ended 31 December 2022, Hanzhong Yaobaileijin obtained the qualification of high-tech enterprises and is entitled to enjoy a preferential tax rate of 15% starting from 2022.

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

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

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13. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Special Dividend: Nil (2020: HK4.1 cents, equivalent to RMB3.4 cents, per ordinary share)	–	186,228
2021 Final Dividend: HK10.7 cents, equivalent to RMB8.7 cents, per ordinary share (2020: HK10.4 cents, equivalent to RMB8.6 cents, per ordinary share)	473,183	471,047
	473,183	657,275

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB6.7 cents (equivalent to HK7.7 cents) (2021: RMB8.7 cents (equivalent to HK10.7 cents)) per ordinary share, in an aggregate amount of RMB364,405,000 (2021: RMB473,183,000) per ordinary share have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2022 RMB'000	2021 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 '000	2021 '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.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2022	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,500	2,300	–	3,800
Ma Weiping *(Chief Executive) (Note)*	–	2,017	1,667	–	3,684
Non-executive directors					
Ma Zhaoyang	342	–	–	–	342
Fan Changhong	342	–	–	–	342
Shi Guanglei (resigned on 19 April 2022)	103	–	–	–	103
Wang Jingqian (appointed on 19 April 2022)	240	–	–	–	240
Independent non-executive directors					
Lee Kong Wai Conway	342	–	–	–	342
Zhu Dong	342	–	–	–	342
Tam King Ching Kenny	342	–	–	–	342
	2,053	3,517	3,967	–	9,537

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

Note:

Ma Weiping has resigned as the executive director and chief executive officer of the Company and the Group with effect from 2 February 2023.

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

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

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

During the year, no emolument was paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2021: nil).

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: nil).

On 2 February 2023, the Group had appointed the following personnel:

- Cao Jianshun was appointed as an executive director and chief executive officer of the Group;
- Chu Yufeng was appointed as an executive director of the Group;
- Wang Fayin was appointed as an executive director of the Group.

On 28 February 2023, Feng Tao was appointed as an independent non-executive director of the Group.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include two (2021: two) directors of whose remuneration are set out in Note 15 above. The remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	4,773	3,843
Performance related bonus	918	1,224
Retirement benefits	96	92
	5,787	5,159

The above employees' emoluments were within the following bands:

	Number of employees	
	2022	2021
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	3	2

During the year, no emolument was paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2021: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	4,256,392	339,718	582,789	7,023,497	1,554,256	4,063,951	17,820,603
Exchange realignment	51,414	4,421	4,398	92,004	17	114,101	266,355
Additions	42,806	55,088	23,452	312,902	3,563	3,044,473	3,482,284
Acquisition of a subsidiary *(Notes 42 & 43)*	130,141	1,023	2,812	63,563	–	76,033	273,572
Transfers	2,632,028	53,023	71,942	2,952,473	103,558	(5,813,024)	–
Disposals/written off	(232,344)	(10,337)	(7,919)	(180,274)	(19,349)	–	(450,223)
At 31 December 2021	6,880,437	442,936	677,474	10,264,165	1,642,045	1,485,534	21,392,591
Exchange realignment	74,967	5,325	5,150	116,560	23	38,905	240,930
Additions	281,651	113,415	27,820	94,851	30,651	3,020,825	3,569,213
Acquisitions of subsidiaries *(Note 42)*	739,659	78,948	5,607	806,576	305	206,976	1,838,071
Transfers	(24,183)	74,995	29,248	65,869	81,705	(248,818)	(21,184)
Disposals/written off	(80,834)	(65,171)	(62,381)	(119,216)	(147,394)	–	(474,996)
At 31 December 2022	**7,871,697**	**650,448**	**682,918**	**11,228,805**	**1,607,335**	**4,503,422**	**26,544,625**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	1,618,783	102,921	287,682	4,135,204	514,903	–	6,659,493
Depreciation charge	325,441	73,938	23,162	536,340	67,679	–	1,026,560
Impairment loss in profit or loss	–	–	–	–	96,346	–	96,346
Eliminated on disposals/written off	(116,158)	(7,906)	(5,035)	(145,242)	(3,234)	–	(277,575)
Exchange realignment	–	175	143	2,470	–	–	2,788
At 31 December 2021	1,828,066	169,128	305,952	4,528,772	675,694	–	7,507,612
Depreciation charge	355,078	104,530	48,497	665,543	52,035	–	1,225,683
Eliminated on disposals/written off	(29,039)	(59,776)	(43,791)	(111,243)	(147,268)	–	(391,117)
Exchange realignment	1,771	623	454	4,242	2	–	7,092
At 31 December 2022	**2,155,876**	**214,505**	**311,112**	**5,087,314**	**580,463**	**–**	**8,349,270**
CARRYING VALUES							
At 31 December 2022	**5,715,821**	**435,943**	**371,806**	**6,141,491**	**1,026,872**	**4,503,422**	**18,195,355**
At 31 December 2021	5,052,371	273,808	371,522	5,735,393	966,351	1,485,534	13,884,979

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

Details of property, plant and equipment pledged are set out in Note 48.

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

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

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

18. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000
As at 31 December 2022	
Carrying amount	827,334
As at 31 December 2021	
Carrying amount	823,707

	2022 RMB'000	2021 RMB'000
Depreciation charge	**18,266**	27,115
Total cash outflow for leases	**56,119**	232,213
Additions to right-of-use assets *(Note)*	**56,119**	268,547

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

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB51,645,000 (2021: RMB6,289,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 48.

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

19. MINING RIGHTS

	RMB'000
COST	
At 1 January 2021	678,523
Addition	442,328
Acquisition of a subsidiary *(Note 43)*	183,131
Written off	(34,128)
At 31 December 2021	1,269,854
Addition	44,105
Acquisition of a subsidiary *(Note 42)*	430,450
Exchange Adjustments	(21,835)
At 31 December 2022	**1,722,574**
AMORTISATION AND IMPAIRMENT	
At 1 January 2021	138,620
Charge for the year	27,464
Impairment loss *(Note)*	20,803
Written off	(34,128)
At 31 December 2021	152,759
Charge for the year	41,784
At 31 December 2022	**194,543**
CARRYING AMOUNT	
At 31 December 2022	**1,528,031**
At 31 December 2021	1,117,095

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

Mining rights are granted from the respective governmental department in the PRC, Mozambique, the Republic of Angola and Ethiopia.

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

20. OTHER INTANGIBLE ASSETS

	Goodwill	Customer relationships	Computer software	Emission rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2021	193,357	20,610	16,548	1,883	232,398
Addition	–	–	25,148	–	25,148
Acquisition of a subsidiary *(Note 42)*	–	–	23	2,517	2,540
At 31 December 2021	193,357	20,610	41,719	4,400	260,086
Addition	–	–	6,547	–	6,547
Transfers	–	–	21,184	–	21,184
Acquisition of subsidiaries *(Note 42)*	287,508	–	291	–	287,799
At 31 December 2022	**480,865**	**20,610**	**69,741**	**4,400**	**575,616**
ACCUMULATED AMORTISATION					
At 1 January 2021	–	20,610	3,595	7	24,212
Charge for the year	–	–	3,586	93	3,679
At 31 December 2021	–	20,610	7,181	100	27,891
Charge for the year	–	–	4,076	89	4,165
At 31 December 2022	**–**	**20,610**	**11,257**	**189**	**32,056**
CARRYING AMOUNT					
At 31 December 2022	**480,865**	**–**	**58,484**	**4,211**	**543,560**
At 31 December 2021	193,357	–	34,538	4,300	232,195

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

Computer software	5 to 20 years
Emission rights	20 years

21. IMPAIRMENT TESTING ON GOODWILL

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

	2022 RMB'000	2021 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — Fuping	7,258	7,258
Cement plant — Yaowangshan	29,613	29,613
Cement plant — National Cement Share Company ("NCSC")	119,902	–
Cement plant — Kangding Paomashan Cement Co., Ltd.* ("Paomashan") 康定跑馬山水泥有限責任公司	70,839	–
Commercial mixed station — Shaanxi Fengsheng	6,207	6,207
Concrete plant — Shaanxi Hengji Concrete Co., Ltd.* ("Hengji Concrete") 陝西恒基混凝土有限公司	50,594	–
Concrete plant — Juxin Building	46,173	–
	480,865	193,357

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The following table sets out the key assumptions for the value in use calculation of the cash-generating units that have significant goodwill with indefinite useful lives.

	China	Ethiopia
Pre-tax discount rate		
31 December 2022	15%	18%
31 December 2021	15%	N/A
Terminal growth rate		
31 December 2022	2.6%	5.7%
31 December 2021	2.6%	N/A

The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. According to the result of the analysis, the management did not identify an impairment for the above CGUs to which the goodwill are allocated during the years ended 31 December 2022 and 2021. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the above CGUs to exceed the recoverable amounts of respective CGUs.

* *The English name is for identification purpose only*

22. INTEREST IN A JOINT VENTURE

In 2021, the Group established a subsidiary, Ankang Baicheng Real Estate Co., Ltd.* ("Baicheng Real Estate") 安康市柏城置業有限公司 with registered share capital of RMB20,000,000. Subsequently, the Group entered into a sale agreement to dispose of its 50% equity interest in Baicheng Real Estate with an independent third party with a cash consideration of RMB10,000,000. After the disposal, Baicheng Real Estate becomes the joint venture of the Group.

	2022 RMB'000	2021 RMB'000
Unlisted equity investment, at cost	**10,000**	10,000
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(6,597)**	(190)
	3,403	9,810

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2022	Proportion of ownership interest held by the Group 2021	Proportion of voting right held by the Group 2022	Proportion of voting right held by the Group 2021	Principal activity
Baicheng Real Estate	The PRC	Shaanxi	**50%**	50%	**50%**	50%	Real estate development and operation

Summarised financial information of Baicheng Real Estate

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

	2022 RMB'000	2021 RMB'000
Current assets	**712,340**	561,363
Non-current assets	**452**	398
Current liabilities	**705,985**	542,141
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(12,813)**	(379)

* *The English name is for identification purpose only*

22. INTEREST IN A JOINT VENTURE *(Cont'd)*

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

	2022 **RMB'000**	2021 RMB'000
Net assets of Baicheng Real Estate	**6,807**	19,620
Proportion of the Group's ownership interest	**50%**	50%
Carrying amount of the Group's interest	**3,403**	9,810

23. EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Listed securities:		
— Equity securities listed in Hong Kong Stock Exchange	**92,593**	162,181

24. LOAN RECEIVABLES

	2022 **RMB'000**	2021 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

24. LOAN RECEIVABLES *(Cont'd)*

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. Details of impairment assessment are set out in Note 49.

25. DEFERRED TAX

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	190,639	92,463
Deferred tax liabilities	(459,456)	(83,783)
	(268,817)	8,680

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

	Impairment, allowance for doubtful debts and accruals RMB'000	Other long-term payables and deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	44,472	7,613	9	(36,937)	(51,185)	(36,028)
Credited (charged) to profit or loss	26,437	(95,545)	92,712	3,110	17,994	44,708
At 31 December 2021	70,909	(87,932)	92,721	(33,827)	(33,191)	8,680
Credited to profit or loss	3,415	69,856	32,480	2,772	1,000	109,523
Acquisition of a subsidiary	–	–	–	(407,901)	–	(407,901)
Exchange adjustments	–	–	–	20,881	–	20,881
At 31 December 2022	74,324	(18,076)	125,201	(418,075)	(32,191)	(268,817)

At the end of the reporting period, the Group had unused tax losses of RMB664,764,000 (2021: RMB928,292,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB500,804,000 (2021: RMB370,884,000) of such losses.

25. DEFERRED TAX *(Cont'd)*

No deferred tax have been recognised in respect of the tax losses of RMB163,960,000 (2021: RMB557,408,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2022 **RMB'000**	2021 RMB'000
2025	**–**	7,646
2026	**40,676**	63,085
2027	**123,284**	–
2031	**–**	486,677
	163,960	557,408

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2022, the Group recognised deferred taxation in respect of withholding tax of RMB32,191,000 (2021: RMB33,191,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2022, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB4,926,414,000 (2021: RMB5,483,808,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Raw materials and consumables	**625,301**	571,326
Work in progress	**534,894**	316,261
Finished goods	**328,663**	223,582
	1,488,858	1,111,169

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 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

Details of trade receivables pledged are set out in Note 48.

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

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

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.

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 RMB'000	2021 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.

Details of impairment assessment of trade and other receivables are set out in Note 49.

28. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2022 and 2021 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2022 **RMB'000**	2021 RMB'000
Carrying amount of transferred assets	**243,240**	310,030
Carrying amount of associated liabilities	**243,240**	310,030
Net position	**–**	–

29. AMOUNT DUE FROM A JOINT VENTURE

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

30. INVESTMENT IN ENTRUSTED PRODUCT

Balance as of 31 December 2021 represents an investment in entrusted product named "國民信託穩鑫1號" which is classified as financial assets at FVTPL.

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

During the year ended 31 December 2022, the entrusted product was mature and fully redeemed.

31. CASH AND CASH EQUIVALENTS/PLEDGED/RESTRICTED BANK DEPOSITS

	2022 **RMB'000**	2021 RMB'000
Cash and cash equivalents		
— denominated in RMB	**471,626**	854,235
— denominated in US$	**820,189**	2,379,453
— denominated in other currencies	**132,460**	274,027
	1,424,275	3,507,715
Pledged/restricted bank deposits		
— denominated in RMB	**621,627**	632,348

Cash and cash equivalent include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.05% to 3.20% (2021: 0.30% to 3.20%) per annum.

Restricted/pledged bank deposits carry fixed interest at market rates range from 0.05% to 3.20% (2021: 0.30% to 3.20%) per annum. Restricted/pledged bank deposits represent bank deposits of RMB60,319,000, RMB561,308,000 and nil (2021: RMB153,487,000, RMB408,861,000 and RMB70,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans (Note 48), respectively. The Group used the trade facilities in projects bidding process which were required by contractors. The maturity of the balances were within one year and is classified as current assets.

32. BORROWINGS

	2022 **RMB'000**	2021 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

32. BORROWINGS *(Cont'd)*

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

	2022 RMB'000	2021 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

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.

* *The English name is for identification purpose only*

32. BORROWINGS *(Cont'd)*

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 48.

33. 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 **RMB'000**	2021 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

34. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 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 *(Notes 42 and 43)*	**55,500**	60,000
Other payables	**442,389**	178,114
Deposits payables	**122,990**	118,618
Other long-term payable — current portion *(Note 39)*	**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 RMB'000	2021 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

35. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
At 31 December	**453,687**	257,925

As at 1 January 2021, contract liabilities amounted to RMB260,594,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts. Approximately RMB221,326,000 of contract liabilities brought forward from prior year had been recognised during the year ended 31 December 2022 (2021: RMB243,525,000).

36. ASSET RETIREMENT OBLIGATION

	2022 RMB'000	2021 RMB'000
At 1 January	**337,043**	347,413
Addition	**19,290**	1,566
Unwinding of discount	**21,280**	16,896
Utilisation of provision	**(41,920)**	(28,832)
At 31 December	**335,693**	337,043

During the year ended 31 December 2022, the Group recognised assets retirement obligation of RMB19,290,000 (2021: RMB1,566,000) relating to the acquired mining rights as disclosed in Note 19.

37. 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.

37. MEDIUM-TERM NOTES *(Cont'd)*

	2022 RMB'000	2021 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.

38. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants relating to:		
— acquisition of property, plant and equipment *(Note a)*	**31,781**	36,818
— demolition of property, plant and equipment *(Note b)*	**–**	311,948
	31,781	348,766
Less: amounts expected to be recognised within one year	**(3,527)**	(320,995)
	28,254	27,771

Notes:

(a) The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB8,837,000 (2021: RMB14,365,000) was released to profit or loss and recorded in other income in the current reporting period.

(b) During the year ended 31 December 2021, owing to the need of better urban reservation, one of the Group's subsidiaries had been approached by the government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,000,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. During the year ended 31 December 2022, the demolition work was completed and the Group recognised a gain on demolition of approximately RMB308,482,000.

39. OTHER LONG-TERM PAYABLES

	2022 RMB'000	2021 RMB'000
Payable related to Dugongo (defined below) *(Note a)*	**842,681**	736,777
Payable for mining rights *(Note b)*	**312,195**	305,228
	1,154,876	1,042,005
Less: current portion *(Note 34)*	**(267,848)**	(249,179)
	887,028	792,826

Notes:

(a) In 2020, the Group recorded RMB1,138,506,000 payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party with repayment periods from 2023 to 2026. The payable is non-secured and bears interest of 4.64% per annum.

(b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.65% per annum.

40. SHARE CAPITAL

		Share capital	
	Number of shares '000	GBP'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2021, 31 December 2021 and 2022	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 2022	5,438,883	10,876	141,837

41. RESERVES

Equity reserve

Equity reserve comprises:

(a) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.

(b) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.

(c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of 安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co., Ltd.* ("Jianghua Yaobai") to acquire the remaining 20% equity interests in Jianghua Yaobai from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.

(d) On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.

(e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of 陝西建達信工程有限公司 Jiandaxin Engineering Inspection Company* ("Jiandaxin") to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.

(f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of Xinyida Hengzhong to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was credited directly to equity reserve.

* *The English name is for identification purpose only*

41. RESERVES *(Cont'd)*

Equity reserve *(Cont'd)*

Equity reserve comprises: *(Cont'd)*

(g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of Baihong Ouli to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was debited directly to equity reserve.

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

Statutory reserve

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

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

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES

For the year ended 31 December 2022

Acquisitions of subsidiaries

(a) Acquisition of Paomashan

On 31 July 2020, the Group signed a sales and purchase agreement ("SPA") with an independent third party ("Seller") to acquire 55% equity interests in Paomashan at a cash consideration of RMB420,000,000. According to the SPA, it was agreed that the Seller would inherit approximately RMB392,131,000 net liabilities of Paomashan.

On 31 March 2022, the Group entered into supplementary sales and purchase agreement with the Seller and it was agreed that the consideration be changed to RMB27,869,000 and the clause on the inheritance of net liabilities by the Seller was canceled.

On 8 April 2022, the acquisition was completed and the Group obtains control over production and operation of Paomashan. Paomashan is principally engaged in cement production and sales, which its products are widely used in different industries.

The acquisition has been accounted for as acquisition of subsidiary using the acquisition method.

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

	RMB'000
Assets	
Trade and other receivables	103,056
Inventories	42,987
Property, plant and equipment	586,431
Other intangible assets	233
Bank balances and cash	86
Liabilities	
Trade and other payables	(524,118)
Bank borrowings	(47,800)
Amount due to an immediate holding company	(239,000)
Net liabilities	(78,125)

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

Trade and other receivables acquired with gross contractual amounts of RMB103,056,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2022 *(Cont'd)*

Acquisitions of subsidiaries *(Cont'd)*

(a) Acquisition of Paomashan *(Cont'd)*

Non-controlling interests

The non-controlling interests (45%) in Paomashan recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Paomashan and amounted to RMB35,155,000.

Goodwill arising on acquisition

	RMB'000
Consideration paid in cash	27,869
Plus: non-controlling interests (45% in Paomashan)	(35,155)
Less: recognised amount of net liabilities acquired	(78,125)
	70,839

Goodwill arose on the acquisition of Paomashan because of its unique geographical location in Sichuan Ganzi prefecture which enable it to capture the market share in the region.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	27,869
Cash and cash equivalent balances acquired	(86)
	27,783

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is loss of RMB22,230,000 attributable to the additional business generated by Paomashan. Revenue for the year includes RMB14,493,000 generated from Paomashan.

Had the acquisition of Paomashan been completed on 1 January 2022, revenue for the year of the Group would have been RMB8,489,135,000 and the profit for the year would have been RMB1,328,715,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Paomashan been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2022 *(Cont'd)*

Acquisitions of subsidiaries *(Cont'd)*

(b) Acquisition of NCSC

On 3 March 2021 and 16 July 2021, the Group had entered into sale and purchase agreements with East African Mining Corporation, Schulze Global Ethiopia Growth and Transformation Fund I.L.P. and SGI Africa Cement Partners, L.P. (collectively "the Sellers") to acquire from the Sellers an aggregate of 23.99% of its shareholding in NSCS at a total consideration of US$40,380,000 (equivalent to RMB278,918,000).

On 7 September 2021, the Group entered into a share subscription agreement with the then-existing shareholders of NCSC to subscribe for further shares in NCSC in tranches, leading to the Group to ultimately holding a 61.99% shareholding interest in NCSC, at a total subscription price of US$170,000,000 (equivalent to approximately RMB1,208,871,000).

The acquisition was completed in 2022 with the last share subscription price paid on 14 November 2022, resulting in the Group obtaining the control over NCSC. NCSC is principally engaged in cement production and sales in Ethiopia, which its products are widely used in different industries.

The acquisition has been accounted for as acquisition of subsidiary using the acquisition method.

Consideration transferred

	RMB'000
Cash	1,323,532
Deposits paid	164,257
	1,487,789

Fair value of assets and liabilities recognised at the date of acquisition on a provisional basis

	RMB'000
Assets	
Trade and other receivables	328,568
Inventories	79,158
Property, plant and equipment	1,177,022
Deposits paid for acquisition of property, plant and equipment	438,431
Mining rights	430,450
Other intangible assets	58
Bank balances and cash	814,087
Liabilities	
Trade and other payables	(232,868)
Contract liabilities	(147,229)
Dividend payable	(70,783)
Long term borrowings	(202,368)
Deferred tax liabilities	(407,901)
Net assets	2,206,625

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2022 *(Cont'd)*

Acquisitions of subsidiaries *(Cont'd)*

(b) Acquisition of NCSC *(Cont'd)*

Non-controlling interests

The non-controlling interest (38.01%) in NCSC recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of NCSC and amounted to RMB838,738,000.

Goodwill arising on acquisition on a provisional basis

	RMB'000
Consideration paid in cash	1,487,789
Plus: non-controlling interests	838,738
Less: recognised amount of net assets acquired	2,206,625
	119,902

Goodwill arose on the acquisition of NCSC because NCSC is one of the leading cement entities in Ethiopia which the Group can make use of its size advantage to capture market share with comparative lower production cost.

Goodwill arising on acquisition is on a provisional basis as the Group's purchase price allocation is yet to complete at the report date. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	1,323,532
Cash and cash equivalents acquired	(814,087)
	509,445

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is profit of RMB29,114,000 attributable to the additional business generated by NCSC. Revenue for the year includes RMB135,746,000 generated from NCSC.

Had the acquisition of NCSC been completed on 1 January 2022, revenue for the year of the Group would have been RMB8,964,549,000 and the profit for the year would have been RMB1,414,854,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had NCSC been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2022 *(Cont'd)*

Acquisition of businesses

During the year ended 31 December 2022, the Group entered into sales and purchase agreements to acquire all the concrete production lines and the related workforce from Hengji Concrete and Juxin Building. Hengji Concrete and Juxin Building are principally engaged in the manufacture and sales of concrete and they were acquired with the objective of obtaining concrete production qualification. The management assessed and determined the acquisition as business combination according to IFRS 3 Business Combinations. Details of the acquisition are summarised as below:

(a) Hengji Concrete

Consideration transferred

	RMB'000
Cash	80,000
Consideration payable due within one year included in other payables at 31 December 2022	28,000
	108,000

Fair value of assets acquired at the date of acquisition

	RMB'000
Property, plant and equipment	53,606
Inventory	3,800
	57,406

Goodwill arising on acquisition

	RMB'000
Consideration transferred	108,000
Less: recognised amount of net assets acquired	57,406
	50,594

Net cash outflow arising on acquisition of assets from Hengji Concrete

	RMB'000
Consideration paid in cash	80,000

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2022 *(Cont'd)*

Acquisition of businesses *(Cont'd)*

(b) Juxin Building

Consideration transferred

	RMB'000
Cash	45,000
Consideration payable due within one year included in other payables at 31 December 2022	23,000
Consideration paid in cash	68,000

Fair value of assets acquired at the date of acquisition

	RMB'000
Property, plant and equipment	21,012
Inventory	815
	21,827

Goodwill arising on acquisition

	RMB'000
Consideration transferred	68,000
Less: recognised amount of net assets acquired	21,827
	46,173

Net cash outflow arising on acquisition of assets from Juxin Building

	RMB'000
Consideration paid in cash	45,000

None of the goodwill arising on the acquisition Hengji Concrete and Juxin Building is expected to be deductible for tax purposes.

Acquisition-related costs for Hengji Concrete and Juxin Building are immaterial and are recognised as administrative expenses when they incurred.

The management considered the impact on acquisition of results of Hengji Concrete and Juxin Building were insignificant during the current year and accordingly no such information is presented.

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

For the year ended 31 December 2021

Acquisition of a subsidiary

Acquisition of Shangnan Hucaoping Mining Development Co., Ltd.* ("Hucaoping") 商南葫草坪礦業開發有限公司

On 16 June 2021, the Group signed a sales and purchase agreement with an independent third party to acquire 100% equity interests in Hucaoping with a cash consideration of RMB10,000,000. Hucaoping is principally engaged in the mining and sales of vanadium mines which is used vanadium steel, and is widely used in different industries such as vehicles, railways, vessels, etc.

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

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

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

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

No goodwill arose from the acquisition of Hucaoping.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	10,000
Cash and cash equivalents acquired	(456)
	9,544

* *The English name is for identification purpose only*

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES *(Cont'd)*

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

Acquisition of a subsidiary *(Cont'd)*

Acquisition of Shangnan hucaoping Mining Development Co., Ltd.* ("Hucaoping") 商南葫草坪礦業開發有限公司 *(Cont'd)*

Impact of acquisition on the results of the Group

As at the date of acquisition and the reporting period end, Hucaoping has still not yet commenced operations and no material impact on the results was identified had the acquisition been effected at the beginning of 2021.

43. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2021

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

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

Consideration transferred

	RMB'000
Cash consideration	
— paid before year 2021	20,000
— paid in the 2021	20,000
— paid in the 2022	55,500
Consideration payable at 31 December 2022	4,500
	100,000

* *The English name is for identification purpose only*

43. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

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

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

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

Net cash outflow arising on acquisition of Shaanxi Jinping

	RMB'000
Consideration paid in cash	20,000
Cash and cash equivalents acquired	(813)
	19,187

44. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,283,378**	1,416,412

45. SHARE-BASED PAYMENTS

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

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

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

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

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

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

Fair value of the share options

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

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

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2022 and 2021:

Year ended 31 December 2022

					Number of options ('000)				
	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2022
Second Issuance	22 March 2013	3 months	22 March 2014 to 21 March 2023	HK$1.25	10,050	–	–	–	10,050
Third Issuance	24 March 2014	1 years 3 months	24 March 2015 to 23 March 2024	HK$0.91	21,900	–	–	–	21,900
Forth Issuance	13 April 2015	2 years 3 months	13 April 2016 to 12 April 2025	HK$1.45	24,700	–	–	–	24,700
					56,650	–	–	–	56,650
Exercisable at the end of the year									56,650
Weighted average exercise price									HK$1.21

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

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

Year ended 31 December 2021

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

No share options were exercised during the years ended 31 December 2022 and 2021.

During the year ended 31 December 2022, no share options were expired or lapsed (2021: 1,100,000).

46. RETIREMENT BENEFITS PLANS

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

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

The total expense recognised in the profit or loss of RMB57,228,000 (2021: RMB54,497,000) represents contributions paid or payable under the retirement benefit scheme.

47. RELATED PARTY DISCLOSURES

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

Key management compensation

	2022 **RMB'000**	2021 RMB'000
Salaries and allowances	**11,493**	10,443
Performance related bonus	**4,885**	5,190
Retirement benefits	**111**	138
	16,489	15,771

48. 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 **RMB'000**	2021 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.

49. FINANCIAL INSTRUMENTS

a. Capital risk management

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

The capital structure of the Group consists of net debts (borrowings, medium-term notes and senior notes as detailed in Notes 32, 37 and 33, respectively, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity).

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

b. Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	5,682,632	7,523,882
— Equity investment at FVTPL	92,593	162,181
— Investment in entrusted product	–	81,855
Financial liabilities		
— Amortised cost	15,129,812	13,436,947

c. Financial risk management objectives and policies

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

Market risks

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

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks *(Cont'd)*

(i) Foreign currency risk

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

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

	Liabilities		Assets	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
The US$	**4,204,158**	3,782,232	**820,189**	2,379,453
Euros ("EUR")	**151,719**	147,694	**1,350**	149,319
	4,355,877	3,929,926	**821,539**	2,528,772
Other foreign currency (including HK$, MZN, ETB ("Ethiopian Birr"), and Singapore Dollar, etc.)	**–**	196,088	**130,132**	124,707

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

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2021: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB126,899,000 (2021: RMB63,215,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, pledged/restricted bank deposits, fixed-rate borrowings, medium-term notes and senior notes (as detailed in Notes 24, 31, 32, 37 and 33, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 32) and bank balances (Note 31).

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

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

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would be decreased/increased by approximately RMB3,742,000 (2021: RMB4,406,000).

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks *(Cont'd)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The Group currently do not have any policy to manage the risk as the management is of the opinion that the equity price risk is insignificant to the Group and no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to its trade and other receivables, loan receivables, bank balances, and restricted/pledged bank deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for loan receivables. The credit risks associates with loan receivables is mitigated because they are secured by assets collateralised by the third parties as disclosed in Note 24.

Trade receivables arising from contracts with customers

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

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

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

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2022 and 2021 within lifetime ECL. Debtors with significant outstanding balances with gross carrying amounts of RMB331,617,000 (2021: RMB158,582,000) as at 31 December 2022 were assessed individually.

As at 31 December 2022

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	373,853
1 to 90 days past due	1.8%	142,710
91 to 360 days past due	23.3%	177,431
Over 360 days past due	41.4%	228,423
		922,417

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

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

As at 31 December 2021

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

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

During the year ended 31 December 2022, the Group provided RMB14,738,000 (2021: RMB66,063,000) as an additional impairment allowance for trade receivables based on the provision matrix.

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

Loan receivables

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

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

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

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

Cash and cash equivalents and pledged/restricted bank deposits

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

Other receivables

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

Amount due from a joint venture

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

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

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

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
Financial assets at amortised cost								
— Loan receivables	24	N/A	Low risk	12m ECL	101,669		136,327	
			Doubtful	Lifetime ECL – not credit-impaired	603,000		826,794	
			Loss	Lifetime ECL – credit-impaired	274,646	979,315	241,559	1,204,680
— Trade receivables backed by bills	27	N/A	*(note 2)*	12m ECL	463,468	463,468	489,119	489,119
— Trade receivables	27	N/A	*(note 3)*	Lifetime ECL (provision matrix)	921,682		993,433	
			Watch list	Lifetime ECL (significant balances, individually assessed)	331,617		158,582	
			Loss	Lifetime ECL (credit-impaired)	735	1,254,034	3,010	1,155,025
— Other receivables	27	N/A	*(note 1)*	12m ECL	738,405	738,405	367,083	367,083
— Amount due from a joint venture	29	N/A	N/A	12m ECL	634,827	634,827	534,064	534,064
— Cash and cash equivalents (Bank balances)	31	AA+	N/A	12m ECL	1,420,637	1,420,637	3,503,836	3,503,836
— Pledged/restricted bank deposits	31	AA+	N/A	12m ECL	621,627	621,627	632,348	632,348

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

Notes:

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

	Past due RMB'000	Not past due RMB'000	Total RMB'000
2022			
Other receivables	**–**	**738,405**	**738,405**
2021			
Other receivables	–	367,083	367,083

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

3. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

4. The Group considered the amount due from a joint venture being low credit risk. ECL is assessed according to internal credit rating assessment.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	58,872	3,404	62,276
Changes due to financial instruments recognised as at 1 January 2021:			
— Impairment losses recognised	65,874	–	65,874
— Impairment losses reversed	(1,098)	(394)	(1,492)
— Write-offs	(1,300)	–	(1,300)
New financial assets originated or purchased	37,294	–	37,294
As at 31 December 2021	159,642	3,010	162,652
Changes due to financial instruments recognised as at 1 January 2022:			
— Transfer to credit-impaired	(396)	396	–
— Impairment losses recognised	10,688	–	10,688
— Impairment losses reversed	(56,423)	(1,685)	(58,108)
— Write-offs	–	(986)	(986)
New financial assets originated or purchased	65,413	–	65,413
As at 31 December 2022	**178,924**	**735**	**179,659**

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

	2022 Increase/(decrease) in lifetime ECL		2021 Increase/(decrease) in lifetime ECL	
	(not credit-impaired) RMB'000	(credit-impaired) RMB'000	(not credit-impaired) RMB'000	(credit-impaired) RMB'000
Trade debtors with gross carrying amount of RMB297,115,000 recognised at 1 January 2022 (2021: RMB264,057,000)	10,688	–	65,874	–
One trade debtor with a gross carrying amount of RMB396,000 (2021: Nil) defaulted and transferred to credit-impaired	(396)	396	–	–
Settlement in full of trade debtors with a gross carrying amount of RMB857,910,000 (2021: RMB514,936,000)	(56,423)	(1,685)	(1,098)	(394)
New trade receivables with gross carrying amount of RMB956,919,000 (2021: RMB890,968,000)	65,413	–	37,294	–

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

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	13,333	53,899	44,085	111,317
Changes due to financial instruments recognised as at 1 January 2021				
— Transfer to credit-impaired	(481)	(2,971)	3,452	–
— Transfer to lifetime ECL	(900)	900	–	–
— Impairment losses recognised	1,291	34,377	63,400	99,068
— Impairment losses reversed	(10,935)	(1,396)	(655)	(12,986)
New financial assets originated or purchased	1,128	1,249	–	2,377
As at 31 December 2021	3,436	86,058	110,282	199,776
Changes due to financial instruments recognised as at 1 January 2022				
— Transfer to credit-impaired	(837)	(1,200)	2,037	–
— Transfer to lifetime ECL	(1,323)	1,323	–	–
— Impairment losses recognised	–	15,576	76,402	91,978
— Impairment losses reversed	(1,258)	(19,773)	(22,787)	(43,818)
New financial assets originated or purchased	4,878	–	–	4,878
As at 31 December 2022	**4,896**	**81,984**	**165,934**	**252,814**

The average loss rate of loan receivables for the year is 25.8% (2021: 16.6 %).

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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

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

	31 December 2022		
		Increase (decrease) in lifetime ECL	
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB101,600,000 (2021:RMB24,400,000)	**4,878**	**–**	**–**
Settlement in full of loan receivables with a gross carrying amount of RMB326,965,000 (2021:RMB670,084,000)	**(1,258)**	**(19,773)**	**(22,787)**
Past due loan receivables with a gross carrying amount of RMB985,446,000 (2021:RMB1,068,353,000)	**(2,160)**	**15,699**	**78,439**
	1,460	**(4,074)**	**55,652**

	31 December 2021		
		Increase (decrease) in lifetime ECL	
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB24,400,000 (2020:RMB249,770,000)	1,128	1,249	–
Settlement in full of loan receivables with a gross carrying amount of RMB670,084,000 (2020:RMB204,430,000)	(10,935)	(1,396)	(655)
Past due loan receivables with a gross carrying amount of RMB1,068,353,000 (2020:RMB1,119,329,000)	(90)	32,306	66,852
	(9,897)	32,159	66,197

During the year ended 31 December 2022, the Group reversed an impairment loss previously recognised for other receivables of RMB2,146,000 (2021: reversed an impairment loss for other receivables of RMB685,000) and the Group write off other receivables of RMB733,000 (2021:Nil). The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

As at 31 December 2022, the Group has net current liabilities position of approximately RMB2,624,887,000. Given that (1) the Group has obtained unused banking facilities of approximately RMB2,357,533,000, which is available for drawdown and utilisation in the course of ordinary business; (2) the Group had been also in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB1,838,042,000 from various banks; and further (3) the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future. The directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Trade and other payables	–	4,621,335	–	–	–	4,621,335	4,621,335
Other long-term payables	4.45%~4.65%	–	270,413	498,548	303,222	1,072,183	887,028
Borrowings							
— variable rates	4.39%	119,595	107,897	646,999	313,414	1,187,905	997,886
— fixed rates	5.66%	3,271,362	164,677	154,723	678,756	4,269,518	3,616,564
Dividend payables	–	88,410	–	–	–	88,410	88,410
Senior notes	4.95%	205,200	205,200	4,458,040	–	4,868,440	4,204,158
Medium-term notes (including related interest)	7.00%	736,750	–	–	–	736,750	714,431
		9,042,652	748,187	5,758,310	1,295,392	16,844,541	15,129,812

49. FINANCIAL INSTRUMENTS *(Cont'd)*

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

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Trade and other payables	–	3,505,602	–	–	–	3,505,602	3,505,602
Other long-term payables	4.65~6.42%	–	281,057	330,183	324,121	935,361	792,826
Borrowings							
— variable rates	5.33%	346,719	71,136	480,593	493,428	1,391,876	1,175,000
— fixed rates	4.35%	2,484,058	102,179	189,174	227,646	3,003,057	2,842,192
Dividend payables	–	8,000	–	–	–	8,000	8,000
Senior notes	4.95%	189,359	189,358	4,113,867	–	4,492,584	3,876,911
Medium-term notes (including related interest)	7.25%	567,750	736,750	–	–	1,304,500	1,236,416
		7,101,488	1,380,480	5,113,817	1,045,195	14,640,980	13,436,947

d. Fair values of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group used market-observable data to the extent that is available. For instruments with unobservable inputs under Level 3, the management is of the opinion that these unobservable inputs are not significant to the Group.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

Name	Fair value as at 31/12/2022 RMB'000	Fair value as at 31/12/2021 RMB'000	Fair value hierarchy	Valuation techniques and key input(s)
Equity investment at FVTPL	**92,593**	162,181	Level 1	Quoted bid price in an active market
Investment in entrusted product	**–**	81,855	Level 2	Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

49. FINANCIAL INSTRUMENTS *(Cont'd)*

d. Fair values of financial instruments *(Cont'd)*

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of the financial assets and liabilities recorded at amortised cost are determined in accordance with the generally accepted pricing model based on discounted cash flows.

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Senior notes	Medium-term notes	Dividend payables	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(Note)*	RMB'000
At 1 January 2021	2,479,442	–	1,232,842	8,000	610	3,720,894
Financing cash flows	1,363,435	3,834,221	(86,500)	(665,275)	3,605	4,449,486
Non-cash financing activities:						
Interest expenses	189,458	99,671	90,074	–	–	379,203
Foreign exchange difference	(15,143)	(56,981)	–	–	–	(72,124)
Dividends declared	–	–	–	657,275	–	657,275
Dividend declared to a non-controlling shareholder	–	–	–	8,000	–	8,000
At 31 December 2021	4,017,192	3,876,911	1,236,416	8,000	4,215	9,142,734
Financing cash flows	174,698	(194,322)	(586,500)	(482,183)	(2,139)	(1,090,446)
Non-cash financing activities:						
Interest expenses	180,038	209,780	64,515	–	–	454,333
Foreign exchange difference	(7,646)	311,789	–	(3,624)	–	300,519
Acquisition of subsidiaries	250,168	–	–	70,783	–	320,951
Dividend set off with receivables	–	–	–	(4,574)	–	(4,574)
Dividends declared	–	–	–	473,183	–	473,183
Dividend declared to a non-controlling shareholder	–	–	–	26,825	–	26,825
At 31 December 2022	**4,614,450**	**4,204,158**	**714,431**	**88,410**	**2,076**	**9,623,525**

Note:

Interest payables are included in trade and other payables (Note 34).

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2022	2021	Principal activities
Directly held						
West China BVI	Ordinary	British Virgin Islands	HK$7,800	**100%**	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HK$100	**100%**	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	**100%**	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd.* 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	**100%**	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd.* 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	**100%**	100%	Production and sale of cement
Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	**100%**	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd.* 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	**100%**	100%	Purchase and sale of raw materials
Xixiang 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	**100%**	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	**100%**	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	**100%**	100%	Production and sale of cement
Jianghua Yaobai 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**100%**	100%	Production and sale of cement

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

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2022	2021	Principal activities
Hancheng Yaobai Yangshanzhuang Cement Co., Ltd.* ("Hancheng Yaobai") 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**80%**	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%**	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	**100%**	100%	Production and sale of cement
Shifeng 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Fuping 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	**100%**	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	**100%**	100%	Production and sale of cement
Yili Yaobai 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Yaowangshan 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	**100%**	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd.* ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	**100%**	100%	Finance lease business
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%**	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	**100%**	100%	Transportation
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**100%**	100%	Production and sale of cement

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

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2022	2021	Principal activities
Shaanxi Fuda Mining Engineering Co., Ltd.* 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	**100%**	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	**100%**	55%	Production and sale of cement
West International Holding Limited 西部國際控股有限公司	Ordinary	Hong Kong	HK$100	**100%**	100%	Investment holding
Xinyida Jiancai 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	**60%**	60%	Sale of cement and related material
Xinyida Hengzhong 陝西新意達恒眾混凝土有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	**48%**	48%	Sale of cement and related material
Dugongo	Ordinary	Moçambique	MZN100,000,000	**60%**	60%	Production and sale of cement and related material
Hongxing Glass	Ordinary	Republic of Congo	XAF100,000,000	**100%**	100%	Production and sale of glass
Hucaoping	Ordinary	Shaanxi, PRC	RMB11,960,766	**100%**	100%	Exploitation and sales of mines
Shaanxi Jinping	Ordinary	Shaanxi, PRC	RMB5,000,000	**60%**	60%	Exploitation and sales of mines
NCSC	Ordinary	Ethiopia	ETB833,210,000	**62%**	–	Production and sale of cement and related material

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(a) Except for West China BVI, Faithful Alliance, Dugongo and Hongxing Glass, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.

(b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.

(c) None of the subsidiaries had issued any debt securities at the end of the year.

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

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Hancheng Yaobai	Shaanxi, PRC	**20%**	20%	**7,802**	8,897	**52,187**	52,385
Dugongo	Moçambique	**40%**	40%	**126,533**	208,479	**337,130**	210,597
Xinyida Hengzhong	Shaanxi, PRC	**52%**	52%	**1,195**	5,002	**62,544**	61,349
Shaanxi Fengsheng	Shaanxi, PRC	**–**	45%	**–**	3,833	**–**	43,006
NCSC	Ethiopia	**38%**	–	**(12,071)**	–	**826,667**	–
Individually immaterial subsidiaries with non-controlling interests				**(6,045)**	5,350	**81,870**	110,742
Total				**117,414**	231,561	**1,360,398**	478,079

Hancheng Yaobai

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

	2022 RMB'000	2021 RMB'000
Current assets	**151,757**	123,937
Non-current assets	**194,813**	239,084
Current liabilities	**85,634**	101,095
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**208,749**	209,541
Non-controlling interests	**52,187**	52,385

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

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

Hancheng Yaobai *(Cont'd)*

	2022 RMB'000	2021 RMB'000
Revenue	284,323	325,988
Expenses	(245,314)	(281,501)
Profit for the year	39,009	44,487
Profit attributable to owners of the Company	31,207	35,590
Profit attributable to non-controlling interests	7,802	8,897
Dividends paid to non-controlling interests of Hancheng Yaobai	8,000	8,000
Net cash inflow from operating activities	54,408	84,789
Net cash outflow from investing activities	(46,856)	(76,023)
Net cash outflow from financing activities	(8,000)	(8,000)
Net cash (outflow) inflow	(448)	766

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

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

Dugongo

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

	2022 RMB'000	2021 RMB'000
Current assets	409,188	281,639
Non-current assets	3,045,922	2,794,489
Current liabilities	1,576,195	1,619,450
Non-current liabilities	1,036,091	930,189
Equity attributable to owners of the Company	505,694	315,892
Non-controlling interests	337,130	210,597

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

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

Dugongo *(Cont'd)*

	2022 RMB'000	2021 RMB'000
Revenue	**797,955**	394,082
(Expenses) Income	**(509,574)**	42,916
Profit attributable to owners of the Company	**173,029**	262,199
Profit attributable to non-controlling interests	**115,352**	174,799
Profit for the year	**288,381**	436,998
Other comprehensive income attributable to the Company	**16,772**	50,519
Other comprehensive income attributable to non-controlling interests	**11,181**	33,680
Other comprehensive income for the year	**27,953**	84,199
Total comprehensive income attributable to owners of the Company	**189,801**	312,718
Total comprehensive income attributable to non-controlling interests	**126,533**	208,479
Total comprehensive income	**316,334**	521,197
Net cash inflow from operating activities	**136,485**	114,756
Net cash outflow from investing activities	**(56,888)**	(71,046)
Net cash (outflow) inflow from financing activities	**(48,254)**	7,407
Net cash inflow	**31,343**	51,117

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

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

Xinyida Hengzhong

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

	2022 RMB'000	2021 RMB'000
Current assets	**174,166**	181,970
Non-current assets	**8,724**	13,854
Current liabilities	**63,165**	78,387
Equity attributable to owners of the Company	**57,181**	56,088
Non-controlling interests	**62,544**	61,349

	2022 RMB'000	2021 RMB'000
Revenue	**109,729**	140,740
Expenses	**(107,442)**	(131,164)
Profit for the year	**2,287**	9,576
Profit attributable to owners of the Company	**1,092**	4,574
Profit attributable to non-controlling interests	**1,195**	5,002
Net cash (outflow) inflow from operating activities	**(335)**	233
Net cash outflow from investing activities	**(323)**	(1,011)
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(658)**	(778)

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

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

NCSC

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

	2022 RMB'000
Current assets	1,724,861
Non-current assets	1,417,926
Current liabilities	394,008
Non-current liabilities	573,911
Equity attributable to owners of the Company	1,348,201
Non-controlling interests	826,667

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

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

NCSC *(Cont'd)*

	From 14 November 2022 (date of acquisition) to 31 December 2022 RMB'000
Revenue	135,746
Expenses	(106,632)
Profit attributable to owners of the Company	18,048
Profit attributable to non-controlling interests	11,066
Profit for the year	29,114
Other comprehensive expense attributable to the Company	(37,734)
Other comprehensive expense attributable to non-controlling Interests	(23,137)
Other comprehensive expense for the year	(60,871)
Total comprehensive expense attributable to owners of the Company	(19,686)
Total comprehensive expense attributable to non-controlling interests	(12,071)
Total comprehensive expense	(31,757)
Net cash inflow from operating activities	61,757
Net cash outflow from investing activities	(254,657)
Net cash inflow from financing activities	706,814
Net cash inflow	513,914

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	**1,700,742**	1,700,742
Property, plant and equipment	**95**	126
Amounts due from subsidiaries	**7,142,494**	4,121,053
Equity investment at FVTPL	**92,593**	162,181
	8,935,924	5,984,102
Current assets		
Other receivables and prepayments	**258,907**	88,268
Bank balances and cash	**230,016**	2,104,618
	488,923	2,192,886
Current liabilities		
Amounts due to from subsidiaries	**220,451**	198,694
Other payables	**5,807**	4,652
Net current assets	**262,665**	1,989,540
Total assets less current liabilities	**9,198,589**	7,973,642
Non-current liability		
Senior notes	**4,204,158**	3,876,911
Net assets	**4,994,431**	4,096,731
Capital and reserves		
Share capital	**141,837**	141,837
Share premium and reserves	**4,852,594**	3,954,894
	4,994,431	4,096,731

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

Movements in reserves

	Share premium RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	2,484,484	24,034	842,792	3,351,310
Profit and total comprehensive income for the year	–	–	1,260,859	1,260,859
Lapse of share-based payments	–	(1,310)	1,310	–
Dividends recognised as distribution	(657,275)	–	–	(657,275)
At 31 December 2021	1,827,209	22,724	2,104,961	3,954,894
Profit and total comprehensive income for the year	–	–	1,370,883	1,370,883
Dividends recognised as distribution	(473,183)	–	–	(473,183)
At 31 December 2022	**1,354,026**	**22,724**	**3,475,844**	**4,852,594**

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**8,489,135**	8,002,791	7,131,052	7,247,389	5,911,744
Profit (loss) before tax	**1,513,299**	2,083,591	1,847,456	2,243,801	1,632,111
Income tax expense	**(169,184)**	(300,639)	(264,494)	(394,272)	(451,648)
Total comprehensive income (expense) for the year	**1,308,402**	1,871,582	1,579,410	1,849,529	1,180,463
Attributable to:					
Owners of the Company	**1,190,988**	1,640,021	1,556,928	1,801,281	1,159,449
Non-controlling interests	**117,414**	231,561	22,482	48,248	21,014
	1,308,402	1,871,582	1,579,410	1,849,529	1,180,463

ASSETS AND LIABILITIES

	At 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**30,239,253**	26,648,351	18,906,232	14,579,813	12,392,057
Total liabilities	**(16,847,502)**	(14,856,724)	(8,379,015)	(5,354,149)	(4,793,102)
	13,391,751	11,791,627	10,527,217	9,225,664	7,598,955
Equity attributable to:					
Owners of the Company	**12,031,353**	11,313,548	10,330,802	9,052,939	7,525,265
Non-controlling interests	**1,360,398**	478,079	196,415	172,725	73,690
	13,391,751	11,791,627	10,527,217	9,225,664	7,598,955