



Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 743

ANNUAL REPORT
2020





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HSU, Shu-ping (*Vice Chairman*)
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih (*Chief Executive Officer*)
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. WU, Ling-ling

Non-Executive Director

Mr. HSU, Shu-tong (*Chairman*)

Independent Non-Executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming

COMPANY SECRETARY

Ms. CHOW, Yuk Yin Ivy

AUTHORIZED REPRESENTATIVES

Dr. WU, Chung-lih
Ms. CHOW, Yuk Yin Ivy

MEMBERS OF AUDIT COMMITTEE

Mr. TSIM, Tak-lung Dominic (*Chairman*)
Mr. HSU, Shu-tong
Mr. LEE, Kao-chao

MEMBERS OF REMUNERATION COMMITTEE

Dr. WANG, Kuo-ming (*Chairman*)
Mr. HSU, Shu-tong
Mr. TSIM, Tak-lung Dominic

MEMBERS OF NOMINATION COMMITTEE

Mr. HSU, Shu-tong (*Chairman*)
Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei

MEMBERS OF INDEPENDENCE COMMITTEE

Mr. LEE, Kao-chao (*Chairman*)
Mr. TSIM, Tak-lung Dominic
Dr. WANG, Kuo-ming

REGISTERED OFFICE

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PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Royal Bank House – 3rd Floor
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre
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PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

HONG KONG LEGAL ADVISER

Zhong Lun Law Firm
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AUDITOR

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STOCK CODE

743

COMPANY WEBSITE

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CONTACT DETAILS

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Financial Highlights

	Notes	2020 RMB'000	2019 RMB'000
Revenue		10,823,753	12,608,716
Gross profit		4,518,782	5,319,126
Profit for the year		2,750,409	3,230,096
Profit attributable to owners of the Company		2,668,708	3,147,340
Gross profit margin		42%	42%
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Earning per share — Basic		RMB1.703	RMB2.009
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Total assets		21,634,251	23,985,754
Net assets		16,531,228	14,642,994
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Liquidity and Gearing			
Current ratio	1	3.79	1.64
Quick ratio	2	3.57	1.55
Gearing ratio	3	0.24	0.39

Notes:

1. Current ratio is calculated as current assets divided by current liabilities.
2. Quick ratio is calculated as current assets less inventories divided by current liabilities.
3. Gearing ratio is calculated as total liabilities divided by total assets.



CHAIRMAN'S STATEMENT



HSU, Shu-tong
Chairman



Chairman's Statement

To our shareholders,

In 2020, the continued international trade disputes coupled with COVID-19 pandemic plunged the global economy into recession. Despite facing such adverse environment, China's economy had maintained its resilience. The State had accelerated its implementation of the "six stabilities" and "six priorities" policies, and took the lead in containing the pandemic. As a result, the national economy realised a positive growth, with an annual GDP growth rate of 2.3%, making it the only major economy in the world with positive growth. With rapid resumption of infrastructure construction, the cement market only experienced a temporary stagnation before it recovered, with a strong rebound in demand. The growth rate of cement production had also turned from negative to positive. The overall cement industry showed a trend of "stable volume and price". The profit of the cement industry in 2020 was basically the same as that of 2019.

Driven by policies and led by large enterprises, the cement industry expedited the elimination of obsolete capacity and achieved satisfactory results in optimizing the industrial structure in 2020. The investment in technology and the application of digital technology had achieved fruitful results, and the innovation capability of the entire industry had rapidly improved. In September 2020, China put forward the new goal of "striving to achieve carbon peak emission by 2030 and carbon neutrality by 2060" to tackle climate change. Establishing clean factories, achieving low-carbon and green development, and actively fulfilling environmental obligations including using cement kilns to treat domestic waste, industrial solid waste and hazardous waste have become an integral part of the industry's conscious actions and enterprises' self-discipline.

Faced with the severe challenges of COVID-19 pandemic in 2020, Asia Cement (China) promptly supplied cement needed for the construction of hospitals, as well as made in-kind and monetary donations to fight the pandemic. Each factory had taken strict, pragmatic and meticulous measures to prevent the pandemic, and strove to follow the government's schedule to actively resume work and production, taking the initiative to minimise the impact of the pandemic. As a result, the Group's overall operating profit rebounded in the second half of the year. In addition, the Company had initiated a comprehensive scientific planning, strengthening data collection and analysis by introducing artificial intelligence ("AI") technology and improving efficiency through digitalisation. The Group also increased environmental protection investment, and continued to promote solid waste treatment business. In terms of human resources development, the Group improved employee's professionalism, while cultivating international talent. The Group helped staff learn diverse skills through job rotation and acquire innovative technological knowledge through training. Only by having a quality workforce can the Group enhance its overall competitive advantage.



Chairman's Statement

Looking into 2021, there is still a high degree of uncertainty about the pandemic, and the outlook for global economic recovery and Sino-US relations remain uncertain. However, we are confident that China will gradually recover from the pandemic and accelerate its economic recovery. As the first year of the "14th Five-Year Plan", 2021 is also an important year for accelerating the formation of a new development model in which domestic circulation and external circulation complement each other (dual circulation strategy), with domestic circulation playing the dominant role. It is estimated that the annual GDP growth rate will be about 8%. The National Development and Reform Commission stated that the first year of "14th Five-Year Plan" will highlight key areas, focus on the "two new-types and one major development" and shore up weaknesses, expand effective investment, further forge ahead major regional development strategies, accelerate the implementation of major national strategic projects, and drive investment demands with new type of urbanisation. Cement demand remains at its high-level plateau phase; it is an important opportunity for the development of the cement industry.

Under the post-pandemic global new normal, environmental issues have received increasing attention, and digital transformation is inevitable. With the launch of "Action Plan for Intelligent Manufacturing and Digital Transformation in the Building Materials Industry (2021-2023)" (《建材工業智慧製造數位轉型行動計劃(2021-2023年)》), the introduction of cement industry's proposal on carbon peak action and China Building Materials Federation's proposition on new industry development goal of "quality products suitable for industry development and benefiting mankind", the cement industry is set to move further towards an intelligent, informatised and green and quality development. With greater emphasis on optimal utilization of mining resources, industry concentration may further be increased.

Facing changes of the external environment and industrial structure, Asia Cement (China) continues to pursue new growth engines. In the next five years, the Group will deepen implementation of its development strategies of resource reserves, supply chain extension, a talent-oriented enterprise, smart and green development. The Group will actively adapt to the new normal with new development mode, accelerate digitalization, increase overall efficiency, create commercial and social value, in order to build a first-class enterprise to repay shareholders.

VICE CHAIRMAN'S STATEMENT



HSU, Shu-ping
Vice Chairman

In 2020, the sudden outbreak of the novel coronavirus pandemic disrupted the pace of China's economic development. However, as the State coordinated the epidemic prevention and control measures and further promoted supply-side structural reforms, cement-related fixed asset investment, real estate investment and infrastructure investment indicators had rebounded rapidly. As a result, the total cement demand for the year had not suffered a major blow. All this coupled with the normalisation of off-peak season production and stricter capacity replacement measures had led to favourable demand and supply sides and healthy development of the cement industry, and Asia Cement (China) was able to maintain high profitability.



Vice Chairman's Statement

As one of the top 10 cement and clinker enterprises in China, Asia Cement (China) has made great efforts to promote reforms and innovation throughout the year, so as to adapt to the new era development wave. With respect to organisational change, the Group actively compared it against market benchmarks. It introduced a job duty system and made bold changes to the existing organisational structure; and through assigning specified tasks to each position and planning for the required establishment size, the Group further optimised manpower to meet the needs of transformation and upgrading. In terms of marketing, the Group intensified development of its core markets, by actively adopting smart marketing models, upgrading customer delivery APP system, implementing integration of industrial chain and service chain, thereby initiating the dual quality and service development direction. While making internal improvements, the Group had been keeping up with industry development, by promoting digital transformation and introducing "5G Internet+" intelligentization – applying machine learning and artificial intelligence in process control, actively introducing IT process control systems, and building smart factory management systems. At the same time, the Group strictly adhered to its sustainable development principle. It placed emphasis on promoting major issues such as green mines, low-carbon and green, smart manufacturing, accelerated the implementation of the Cement 4.0 Five-year Plan and the plans for improving alternatives for raw materials and fuels, while actively coordinating the disposal of industrial solid waste and construction waste, etc, to significantly reduce the impact on the surrounding environment and to ensure high-quality development through the development of ecological civilization, and to actively fulfil corporate social responsibilities.

Looking into 2021, the State will accelerate the shoring up of infrastructural shortcomings, promote the development of new-type infrastructure, new-type urbanisation and major projects, as well as speed up the building of China's strength in transport. All this will provide solid support for cement demand. Under the auspices of the nation's major regional strategies such as Integrated Regional Development of Yangtze River Delta, the Great Western Development and Chengdu-Chongqing Twin City Economic Circle, the demand in Jiangxi, Hubei and Sichuan, where Asia Cement (China) has presence, is expected to be maintained; capacity reduction and swaps, "carbon peak emissions and carbon neutrality" actions, normalisation of off-peak season production, and anti-monopoly supervision are conducive to the control of new production capacity, industry self-discipline and integrity, a fair market and competitive environment. The industry's profitability is expected to remain stable.

In 2021, it is the upcoming trend for the development of digital economy, increased investment in enterprise technological innovation, and acceleration of intelligence transformation of the cement industry. Asia Cement (China) will keep abreast of latest developments, and actively work towards the goals of resource reserves, industrial chain extension, talent development, smart and green development, and further improve energy efficiency utilisation level, as well as environmental protection and safety production standards. Asia Cement (China) is committed to contributing to a high-quality sustainable development of the cement industry.

CEO'S REPORT



WU, Chung-lih
Chief Executive Officer

In 2020, the dual impact of the novel coronavirus pandemic and floods caused significant fluctuations in industry performance. In the first quarter, cement production fell by 24% year-on-year, which was the largest decline seen in this century. However, as the government adopted various measures to prevent and control the pandemic, accelerated the resumption of work and production, implemented the “six stabilities” and “six priorities” policies, expanded the scale of bond issuance, and pushed ahead with its comprehensive urbanisation plan, the growth rate of infrastructure construction had steadily rebounded, and property investment had maintained stable growth. As a result, the cement market had recovered rapidly. The annual output reached 2.377 billion tonnes, representing a year-on-year increase of 1.6%. The industry as a whole maintained a stable operation.



CEO's Report

During the year under review, the Group's 15 kilns were in operation for the entire year. It produced 23.91 million tonnes of clinker, representing a drop of 4% year-on-year, and 27.71 million tonnes of cement (including slag powder). The total sales volume decreased by 5.4% year-on-year to 29.18 million tonnes, including 26.79 million tonnes of cement, 2.06 million tonnes of clinker and 340,000 tonnes of slag powder. The Group's cement price decreased by RMB34 per tonne year-on-year to RMB346 per tonne (excluding tax). The unit cost of coal consumption declined from RMB643 per tonne in the previous year to RMB585 per tonne (excluding tax).

As such, the Group's revenue for 2020 amounted to RMB10,823,753,000, representing a year-on-year decrease of 14%, with gross operating profit and net operating profit amounting to RMB4,518,782,000 and RMB3,686,613,000, representing year-on-year decreases of 15% and 17% respectively. The gross operating margin and net operating margin were 41.7% and 34.1% respectively, representing decreases from the same period last year.

In 2020, major industry players took the lead in carrying out mergers, acquisitions and reorganization, integrating resources and entering the markets of sand and gravel, prefabricated construction, and solid waste treatment, in order to continue to increase new profit centres. In terms of newly constructed production lines, large cement enterprises actively accelerated capacity swaps. Faced with rapid industry development, the Group was confident in competing through innovation and surviving the new normal by carrying out reforms and innovation in various aspects.

1. INTERNAL MANAGEMENT

In order to implement "workforce localisation and rejuvenation" policy as instructed by the chairman of Asia Cement (China), the Group improved its human resources utilisation in response to the rapid change in the domestic market environment to enhance its competitiveness. The Group had also adjusted its staff deployment, conducted organisational changes, and further rightsized personnel resources to create a professional and efficient management team.

In order to ensure that employees' salaries will gradually be in line with the market, the Group has specially hired a professional consulting company to make bold changes to the existing human resources system and organisational structure, implement a human resources system that centres on positions and rosters, and formulate salary, performance appraisal, reward and punishment and other systems.

Team power is the cornerstone of building organizational capability. The Group cultivated all-round talent through the rotation of personnel within the system; and through online English training and increasing communication between the company and industry, the Group raised the overall quality of middle and senior executives to meet the needs of future transformation and development.

In order to meet management's needs during the pandemic normalisation period, the Group restructured the existing large-scale offline training to carry out extensive online training, thereby reducing employees' physical contact, and conducted online modular training on a regular basis. Such innovative training methods helped the Group expand its talent pool.



2. BUSINESS REFORM

The Group continued to promote sales innovation and develop an intelligent business model. By advocating a customer-oriented and value creation-oriented marketing culture, as well as upgrading the customer delivery APP, the Group added “value” to its products through quality services. The Group also pushed forward collaboration with premium companies, introduced intelligent software to establish a system for preventing channel conflicts, and used big data analytics to provide more accurate information for production and sales channels.

The Group reformed the reward system for distributors and increased the proportion of direct sales; revised the bonus management system for sales staff, encouraged sales staff to reach out directly to end-customers and linked up their salaries with their business performance; stimulated staff's potential and increased their awareness of crisis.

The Group improved the management of business credit and bill receivables to ensure sound financial position. It managed credit according to different risk levels and thoroughly cleared out overdue and aged bad debts; strictly controlled commercial acceptance bills, by tracking and managing them on a monthly basis through business management meetings to effectively avoid various bill risks.

3. MARKET EXPANSION AND STRATEGIC PLANNING

As one of the top 10 cement enterprises in the country, the Group, while committing to quality, also needs to expand its principal business and sales market. Through technological modification, the Group had researched and developed special cement products such as low-heat and moderate heat cement, acid and alkali-resistant cement, etc, in order to expand its product categories and fill market gap. The Group had also tapped into the railway transport market, actively expanding its sales radius.

The Group insisted on extending its operations along the supply chain and cultivated new growth drivers. It strengthened cooperation with the government and other companies, grasped the opportunity arising from the structural adjustment and upgrading of the aggregate industry and expanded the production of aggregates and machine-made sand, thereby integrating its upstream and downstream operations. The aforesaid thus added an important element to the Group's business blueprint.

4. MINES CONSTRUCTION AND INTELLIGENTIZATION

In the face of rapid technological progress, the Group has always adhered to the philosophy of “innovation-driven development”, planning and constructing digital mines. Through the application of 5G terminal devices, scientific exploration, on demand adjustment, data analysis and GPS+3D dynamic monitoring, etc, the Group had upgraded the facilities and operation of traditional mines.



While planning the construction of digital mines, the Group also pushed ahead with green mines development. Through continuous efforts, the two mines under Jiangxi Yadong had been selected to the national "green mine" list, and Huanggang Yadong had also been selected to the national "List of the Fifth Batch of Green Factories", which greatly enhanced the Group's corporate image.

With the advent of the era of artificial intelligence, the Group had established an artificial intelligence management centre to upgrade and modify smart procurement, smart production, smart logistics, etc, and to build smart factories with high standards. The Group strives to construct "environmentally friendly, resource-saving" smart factories.

5. CORPORATE SOCIAL RESPONSIBILITIES

The concept of ecological civilisation construction has now been deeply rooted in the industry. The Group is also actively fulfilling its corporate social responsibility. Through a number of projects, it cooperates with the government to treat industrial solid waste and construction waste. Basing on the existing sludge treatment programme, Hubei Yadong formulated a project on heavy metal contaminated soil treatment, thereby promoting a harmonic coexistence of enterprises and society.

In terms of humanistic care, under the strong leadership of the Group's management, swift action had been taken after the outbreak of the pandemic. Wuhan Yaxin and Wuhan Yadong rushed to assist in the construction of Leishenshan Hospital and Huoshenshan Hospital, providing 2,800 tonnes of cement. In addition, it actively initiated monetary and in-kind donation programmes, with cash donations amounting to RMB4.8 million for the pandemic and other in-kind donations worth more than RMB3.4 million.

In conclusion, 2020 was a year full of ups and downs. The annual output had increased steadily, while cement prices and industry profits had declined slightly. However, the industry was still in the plateau phase. Looking into 2021, the country will vigorously shore up its weaknesses, focusing on supporting "two new-types and one major developments", accelerating the construction of 5G, industrial internet and key urban conurbation; continue to promote the redevelopment of old urban communities and support the construction of affordable housing. All this will help prolong the plateau period for cement demand. On the other hand, intensified industry merger, acquisition and reorganisation, normalized off-peak production, stricter regulation on capacity swaps will help tighten industry supply. The Group is filled with confidence to seize market opportunities, embrace reforms, lower costs and enhance profitability, with an aim to reward its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS





Management Discussion and Analysis

1. BUSINESS REVIEW:

(1) Macro perspectives of China and the industry:

In 2020, facing the unexpected novel coronavirus pandemic, the State had taken a number of timely pandemic prevention and control measures and accelerated work and production resumption, thereby ensuring a stable economic recovery and rapid restoration of various indicators. As at the end of 2020, China's fixed asset investment increased by 2.9% year on year, infrastructure investment increased by 0.9% year on year and property development investment increased by 7% year on year. In 2020, China's GDP exceeded RMB100 trillion, representing a year-on-year increase of 2.3%, making it the only major economy in the world to achieve positive economic growth.

During the year, the cement industry was affected by both the pandemic and floods. Nevertheless, driven by infrastructure construction investment, which played a vital role in supporting stable economic growth, as well as strong support from the stable development of property investment, the market rapidly recovered and reversed the significant

year-on-year decline in cement demand during the early stage of the pandemic. The national annual cement output reached 2.377 billion tonnes, a year-on-year increase of 1.6%.

In 2020, there was an addition of 28 new dry-process cement and clinker production lines in China, an increase of 12 production lines when compared to that of 2019, and the cumulative newly added capacity amounted to 33.95 million tonnes. In 2020, 25.2 million tonnes in aggregate of obsolete clinker production capacity were eliminated, which represented a 52.3% year-on-year increase. Among them, the largest reduction was seen in Northwest region, reaching 10 million tonnes, followed by East China (8 million tonnes), Southwest (3.7 million tonnes), and Northeast (3.5 million tonnes).

(2) Overview of the Group's business:

2020 is a challenging year. Facing the challenges of the pandemic and various market uncertainties, the Group insisted on promoting reform and innovation, actively building green factories and smart factories, and seeking transformation and upgrading. The major points are summarised as follows:





Management Discussion and Analysis

First, the Group was committed to advanced production process and environmental protection for improving efficiency while paying special attention to environmental protection. In response to the State's green development concept, the Group implemented scientific mining and safety standardization in mineral resource development and product production process, forming a new sustainable green mining development model which features digital management of information and comprehensive utilization of resources. In September 2020, Huanggang Yadong Cement successfully entered the national "List of the Fifth Batch of Green Factories". In December 2020, Jiangxi Yadong Cement's two mines, the "Xinwutian Limestone Mine" (新屋田灰岩礦) and "Xiazhang Limestone Mine For Cement Production" (下張水泥用灰岩礦) were selected as green mines. The Group's "green development concept" has been widely recognized by society. On the aspect of production, the Group continued to uphold the concepts of ultra-low power consumption, ultra-low emission and environmental protection and continued to promote production technology modification such as replacing electrostatic precipitators with baghouses to collect dust, desulfurization and denitrification, waste treatment and permanent magnet motors application, which not only achieved lower energy consumption and optimized resource allocation, but also improved production efficiency and product quality, and protected the environment.

Second, affected by the novel coronavirus outbreak at the beginning of the year and the heavy rain in the middle reaches of the Yangtze River, market demand was hit hard, causing the Group's sales volume in the first half of the year to decline. On the one hand, the sales team made all-out effort to maintain market share in the core markets of Nanchang, Jiujiang, Wuhan, and Chengdu. On the other hand, the Group used big data to analyse the profitability of each region to optimize sales structure in order to achieve stable sales volume of the Group in the third quarter. For three consecutive months in the fourth quarter, it repeatedly set delivery new highs. Meanwhile, the Group optimized the remuneration system of sales staff, reduced staff establishment, and encouraged the sales team to focus more on serving customers and company profits. A series of measures such as the launch of a new version of customer APP and the implementation of the all-in-one-card product delivery system had significantly enhanced customer services.

Third, under the new normal, the Group had switched to online training and online meetings as the main approach for adhering to the talent pool and grooming plan. In 2020, to accelerate the fostering of talent at the grassroots level and middle-level management, the Group began to implement cross-company and cross-department key personnel rotation, giving employees more resources and platforms to effectively improve their comprehensive business performance. Such initiations helped



Management Discussion and Analysis

facilitate the rationalization of the Group's talent echelon development and secure a sufficient pool of professionals. The Group also pushed ahead with rightsizing personnel resources and organizational reforms, assigning specified tasks to each position and planning for the required establishment size. The mobile APP for employees and the online security access system improved employees' work performance, facilitated convenience of working, and enhanced the Company's network confidentiality and security.

In 2020, due to the greater impact brought by the epidemic in Wuhan and its surrounding areas, the Group's clinker output amounted to 23.91 million tonnes, representing a decrease of 3.8% from that of 2019, and the total sales of cement and clinker was 28.84 million tonnes, a decrease of 5.3% from that of 2019. The prices in the major sales areas of the Group had been hovering at relatively high levels. In 2020, the Group made a profit of RMB2.75 billion.

Table 1: Total sales Volume (Unit: '000 tonnes)

	2020	2019	Change (%)
Cement	26,786	28,652	(6.5)
Clinker	2,058	1,816	13.3
Blast-furnace slag powder	337	365	(7.7)
	29,181	30,833	(5.4)

Table 2: Sales volume of cement by region (Unit: '000 tonnes)

	2020	2019	Change (%)
Southeastern region	12,808	13,643	(6.1)
Central region	5,446	6,160	(11.6)
Southwestern region	8,532	8,849	(3.6)
	26,786	28,652	(6.5)

Table 3: Sales volume of high grade and low grade cement (Unit: '000 tonnes)

	2020		2019	
	Sales volume	Percentage (%)	Sales volume	Percentage (%)
High grade cement	25,284	94	26,708	93
Low grade cement	1,502	6	1,944	7
	26,786	100	28,652	100

Table 4: Sales volume of bagged and bulk cement (Unit: '000 tonnes)

	2020		2019	
	Sales volume	Percentage (%)	Sales volume	Percentage (%)
Bulk cement	23,808	89	25,032	87
Bagged cement	2,978	11	3,620	13
	26,786	100	28,652	100

Table 5: The Group's market share

	2020	2019
Jiujiang	29%	36%
Nanchang	24%	25%
Wuhan	18%	23%
Chengdu	33%	42%
Yangzhou	22%	22%

Operating Results Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2020, the Group's revenue amounted to RMB10,823.8 million, representing a decrease of RMB1,784.9 million or 14% from RMB12,608.7 million in 2019. The decrease in revenue was mainly attributable to the decrease in the sales quality and average selling price of the Group's products during 2020.

	2020		2019	
	RMB'000	%	RMB'000	%
Southeastern region	5,551,979	51	6,126,007	49
Central region	1,970,676	18	2,476,297	20
Southwestern region	3,301,098	31	4,006,412	31
	10,823,753	100	12,608,716	100

In respect of revenue contribution for 2020, sales of cement accounted for 86% (2019: 86%) and sales of concrete accounted for 5% (2019: 6%). The table below is a sales analysis by product for the reporting period:

	2020		2019	
	RMB'000	%	RMB'000	%
Cement	9,264,298	86	10,887,452	86
Clinker	579,732	5	582,463	5
RMC	580,809	5	811,946	6
Blast-furnace slag powder	105,451	1	113,250	1
Others	293,463	3	213,605	2
	10,823,753	100	12,608,716	100



Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2020, the Group's cost of sales decreased by approximately 14% to RMB6,305.0 million from RMB7,289.6 million in 2019 due to the decrease in the sales quality of cement products.

The gross profit for 2020 was RMB4,518.8 million (2019: RMB5,319.1 million), with a gross profit margin of 42% (2019: 42%). The decrease in gross profit was mainly attributable to the decrease in the sales quality and average selling price of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises of government grants, transportation fee income, interest income and sales of scrap materials. For 2020, other income amounted to RMB274.3 million, representing an increase of RMB36.0 million from RMB238.3 million in 2019. The increase in other income was attributable to the increase in government grants.

Other Gains and Losses

Other gains and losses mainly comprise of net foreign exchange gain or loss, decrease or increase in fair value of investment properties, gain on disposal of right-of-use assets and loss on disposal/write-off of property, plant and equipment. For 2020, other losses amounted to RMB27.0 million, representing an increase of RMB3.7 million from other losses of RMB23.3 million in 2019. The increase in other losses was principally attributable to the increase in fair value of investment properties and gain on disposal of right-of-use assets and the increase in loss on disposal/write-off property, plant and equipment.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2020, the distribution and selling expenses decreased from RMB447.5 million in 2019 to RMB435.6 million in 2020. Mainly attributable to an increase in transportation costs, and a decrease in employee compensation and benefits and handling expenses of cement products during 2020.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, decreased by approximately 7%, from RMB428.5 million in 2019 to RMB396.6 million in 2020. The net decrease was attributable to an increase in overhead incurred during shut-down period and a decrease in employee compensation and benefits and other general expenses during 2020.

The 49% decrease in finance costs was mainly due to the decrease in bank borrowings compared to 2019.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2020 decreased by RMB663.3 million, constituting a profit of RMB3,686.8 million (2019: profit of RMB4,350.1 million).

Income Tax Expense

In 2020, income tax expense decreased by RMB183.6 million or approximately 16% to RMB936.4 million, from RMB1,120.0 million in 2019.

Non-controlling Interests

In 2020, non-controlling interests amounted to RMB81.7 million, representing an decrease of RMB1.1 million or approximately 1% compared with RMB82.8 million in 2019, primarily due to an decrease in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2020, the net profit of the Group amounted to RMB2,750.4 million, representing decrease of RMB479.7 million from the profit of RMB3,230.1 million in 2019.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2020. Total assets decreased by approximately 10% to RMB21,634.3 million (31 December 2019: approximately RMB23,985.8 million), while total equity increased by approximately 13% to RMB16,531.2 million (31 December 2019: approximately RMB14,643.0 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2020, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB5,275.6 million (31 December 2019: RMB7,957.1 million), of which approximately 95% was denominated in RMB and approximately 5% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs and staff salaries. Cash generated from operating activities increased from RMB4,883.3 million in 2019 to RMB5,017.1 million in 2020.

The Group's cash inflow from investing activities primarily consisted of interest income repayment from related companies and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of purchase of note receivables, purchases of property, plant and equipment and purchases of land use rights and the payment of mine reserve fund payable. In 2020, the net cash used in investing activities of the Group amounted to RMB3,749.7 million (2019: RMB711.6 million).

In 2020, the net cash used in financing activities of the Group amounted to RMB4,249.4 million (2019: RMB1,732.8 million). This was primarily due to repayments of bank borrowings and dividends paid in 2020.

Capital Expenditure

Capital expenditure for the year ended 31 December 2020 amounted to approximately RMB519.8 million (2019: RMB1,368.5 million), and capital commitments as at 31 December 2020 amounted to approximately RMB38.5 million (2019: RMB36.1 million). Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2020 and 2019 are summarized below:

	As at 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Short-term borrowings	872,988	29	4,770,215	77
Long-term borrowings	2,099,171	71	1,444,094	23
Currency denomination				
– RMB	310,000	10	1,940,000	31
– US dollars	2,662,159	90	4,274,309	69
Borrowings				
– unsecured	2,972,159	100	6,214,309	100
Interest rate				
– fixed-rate RMB bank borrowings	310,000	2.98% to 3.30%	1,940,000	3.60% to 3.85%
– fixed-rate USD bank borrowings	2,564,285	0.91% to 1.05%	3,778,999	2.49% to 3.73%
– variable-rate USD bank borrowings	97,874	LIBOR plus margin of 0.8% or TAIFX3 plus margin of 0.6%	495,310	LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%



Management Discussion and Analysis

As at 31 December 2020, the Group had unutilized credit facilities in the amount of RMB11,275.9 million.

As at 31 December 2020, the Group's gearing ratio was approximately 24% (31 December 2019: 39%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2020 and 2019, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2020 (31 December 2019: Nil).

Contingent Liabilities

As at the date of this report and as at 31 December 2020, the Board (the "Board") is not aware of any material contingent liabilities (31 December 2019: Nil).

Human Resources

As at 31 December 2020, the Group had 3,813 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC, and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme on 27 April 2008, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group. The Share Option Scheme was expired on 26 April 2018.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2020 (31 December 2019: Nil).

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB may vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB 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 Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



2. BUSINESS PROSPECTS:

(1) Industry Challenges:

In 2021, the cement industry is still faced with growing uncertainties, which are elaborated as follows:

First, the government will not relax its policy on property regulation, causing liquidity crunch in the property market. In 2021, regulation will still be based on the principles of “housing is for living, not for speculation” and “implementation of policies according to local conditions”. With the promulgation of the “three red lines” regulatory measures, property developers will face massive debt and cash flow issues, and the property industry may face reshuffle and restructuring.

Second, rising clinker imports and increased new clinker production capacity curb product prices. China imported more than 30 million tonnes of clinker in 2020, representing an increase of 59% from that of 2019. It is expected that clinker imports will continue to increase in 2021. In addition, new clinker production capacity amounted to 33.95 million tonnes in 2020, aggravating the overcapacity problem. As such, product price will be greatly affected.

Third, as investment in environmental protection continues to increase, corporate costs also rise simultaneously. The State has been raising environmental protection requirements. Enterprises continue to invest in emission reduction and environmental governance. In addition, the shortage of mine resources and rising costs of various raw material such as coal lead to increase in production costs. All this poses challenges to the cement industry.

Fourth, Chengdu and Wuhan are affected by factors such as uneven distribution of production capacity in surrounding areas and inconsistent implementation of off-peak season production policy. Influx of cement from other provinces and surrounding areas continues to hit the local markets, and affects both the sales volume and price in Chengdu and Wuhan.

(2) Industry Trend:

Despite various uncertainties over demand and supply, there are numerous positive factors. Opportunities and challenges coexist in 2021, and the Group maintains a cautiously optimistic attitude. The main positive factors are as follows:

First, the State emphasizes development of its “internal circulation”, focusing on supporting “two new-types and one major developments”. In 2021, the entire central government will raise more than RMB5 trillion of funds to expand infrastructure investments, with the focus on “two new-types and one major developments” (new-type of infrastructure development, new-type of urbanization and development of major engineering projects for transportation and water conservancy). As such, the outlook for the overall cement demand is positive.

Second, the normalization of off-peak season production is conducive to the industry’s stability. The State issued “Notice on Further Normalization of Off-Peak Season Production” (《關於進一步做好水泥常態化錯峰生產的通知》) to promote normalisation (with specified periods and specified areas) of execution of off-peak season production across the country. Such will greatly facilitate the successful implementation of the supply-side structural reform of the cement industry under the “14th Five-Year Plan” in the post-COVID-19 period and high-quality and sustainable development of the cement industry in the future.



Management Discussion and Analysis

Third, the strict reduction of the overall volume or replacement of obsolete capacity is conducive to suppressing newly added capacity and eliminating obsolete capacity. The “Implementation Measures for Capacity Replacement in Cement and Glass Industry (Revised Draft)”, which will be implemented in 2021, stipulates prohibition of record-filing and new capacity expansion of cement/clinker projects; the ratio of capacity replacement in key air pollution prevention and control regions is 2:1, while the ratio of capacity replacement in non-key regions is 1.5:1; no capacity replacement is permitted for any production lines that have been suspended for over 2 years, have violated off-peak season production requirement, or have obsolete capacity and have thus been explicitly ordered to be eliminated. These measures safeguard the “prohibition of new production capacity” by addressing the issue at source, thereby providing better solutions to the overcapacity problem.

(3) The Group’s Outlook:

The Group predicts that the overall cement market will be stable in 2021, and the industry will be in a plateau phase for a relatively long period. From the demand side, the demand from downstream property sector and rural self-built houses will decrease; however infrastructure sector will continue to grow, so their demand will remain stable. Looking into 2021, cement prices will stay at lower levels from January to February due to seasonal adjustments; with the gradual commencement of major infrastructure projects, it is expected that significant cement demand will begin to release from March to April, and cement prices will gradually rise. Meanwhile, against the backdrop of supply-side structural reform and stricter environmental protection requirements, coupled with the continuous implementation of various measures to reduce production capacity and optimising structure, the trend for the gradual improvement in the supply and demand imbalance in the cement industry will continue.

Hence, the Group expects that cement prices will remain high in 2021, with steady fluctuations. After Lunar New Year, cement demand will stabilize following volatility and will maintain strong in the second half of the year. Given that opportunities and challenges coexist, 2021 will be a promising year.

After taking into account the various factors including the impact of the pandemic, economic situation, off-peak season production, environmental control, etc, the Group plans to sell more than 30.54 million tonnes of cement and clinker in 2021, representing an increase of 5.9% from 28.84 million tonnes in 2020.

In view of the changes brought forth by a new era, the Group will continue to adhere to the operational strategies of high efficiency, high quality, high environmental protection, and low cost in 2021. Meanwhile, the Group will strive through innovation, further promoting intelligentized enterprise, digitalization, green development and creating new profit growth drivers. It will embrace its longstanding corporate culture of “Integrity, Diligence, Austerity, Prudence and Innovation”. As an ambitious, innovative and sustainable international company with strong fundamentals, Asia Cement (China) will create greater value for the country, society, shareholders and employees with its outstanding performance.



Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2020:

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review. Details of the shareholding interests held by the Directors as at 31 December 2020 are set out in page 41 of this annual report.

BOARD OF DIRECTORS

The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the 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 directions.

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises of eleven Directors, including six executive Directors, one non-executive Director and four independent non-executive Directors. Board members are listed below:

Executive Directors

Mr. HSU, Shu-ping (*Vice Chairman*)
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih (*Chief Executive Officer*)
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. WU, Ling-ling

Non-executive Director

Mr. HSU, Shu-tong (*Chairman*)

Independent Non-executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming



Corporate Governance Report

Biographical information of the Directors is set forth on pages 32 to 35 of this annual report.

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2020, each of Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lih, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang has entered into a service contract with the Company for a term of three years commencing on 27 April 2020, and Ms. WU, Ling-ling has entered into a service contract with the Company for a term of three years commencing on 1 April 2019, all of which may 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 issued an appointment letter to Mr. HSU, Shu-tong, non-executive Director, for a term of three years commencing on 7 April 2020, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming commencing on 7 April 2020, 13 April 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence and the Company considers each independent non-executive Director to be independent. To further enhance accountability, any appointment of an individual non-executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders.

Mr. TSIM, Tak-Lung Dominic has served as a director of the Company for more than 9 years. As independent non-executive Director with an in-depth understanding of the Group's operations and business, he has expressed objective views and provided reliable independent guidance to the Company over the years and continues to demonstrate commitment to his role as independent non-executive Director. In view of this, the Board considers that the long-term service of this director would not affect his exercise of independent judgement.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. HSU, Shu-tong as Chairman and Dr. WU, Chung-lih as Chief Executive Officer.

The relationship between the Board members is disclosed on pages 32 to 35 and 39 of this annual report.

The Chairman of the Board held a meeting with the independent non-executive Directors during the year.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision-making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.



Corporate Governance Report

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and four meetings were held in 2020. Regular board meetings scheduled at the beginning of the year to give all Directors adequate time to plan their schedules to attend. Directors received at least 14 days' prior written notice of regular Board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, were sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors were given as much notice as possible in the circumstances.

The table below sets out the details of Board meeting attendance of each Director in 2020.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	4/4
Mr. HSU, Shu-ping	4/4
Mr. CHANG, Tsai-hsiung	4/4
Dr. WU, Chung-lih	4/4
Mr. CHANG, Chen-kuen	4/4
Mr. LIN, Seng-chang	4/4
Ms. WU, Ling-ling	4/4
Mr. TSIM, Tak-lung Dominic	4/4
Mr. WANG, Wei	4/4
Mr. LEE, Kao-chao	4/4
Dr. WANG, Kuo-ming	4/4

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association (the "Articles") also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

According to Article 86 of the Articles, any director appointed to fill a casual vacancy should be subject to re-election by the shareholders at the first general meeting after their appointment and any director appointed as an addition to the existing Board should be subject to re-election by the shareholders at the next following general meeting after their appointment. According to Article 87 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

The non-executive Director is engaged on an appointment letter for a term of three years and shall be subject to retirement by rotation once every three years.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each of the newly appointed Directors on his/her first appointment in order to enable him/her to have an appropriate understanding of the business and operations of the Company and to be fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors.



Corporate Governance Report

During the year, the Company received training records from all Directors relevant to the Company's business or to Directors' duties and responsibilities.

The individual training record of each Director received for financial year ended 31 December 2020 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. HSU, Shu-ping	A
Mr. CHANG, Tsai-hsiung	A and B
Dr. WU, Chung-lih	A and B
Mr. CHANG, Chen-kuen	A and B
Mr. LIN, Seng-chang	B
Ms. WU, Ling-ling	A and B
Non-executive Director	
Mr. HSU, Shu-tong	A
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	A and B
Mr. WANG, Wei	A and B
Mr. LEE, Kao-chao	B
Dr. WANG, Kuo-ming	A and B

Notes:

A: attending briefings/seminars/forums/workshops/conference relevant to the business or directors' duties

B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

AUDIT COMMITTEE

During the year under review, a summary of the work carried out by the Audit Committee include:

- making recommendations to the Board on the reappointment of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and
- overseeing the Company's financial reporting system, risk management and internal control systems, including but not limited to, review of financial control, risk management and internal control systems, consideration of actions to be taken in respect of any findings of major investigations of risk management and internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises of Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Mr. LEE, Kao-chao who are independent non-executive Directors. The Audit Committee is chaired by Mr. TSIM, Tak-lung Dominic.

Three meetings of the Audit Committee were held with the management and/or the external auditors in 2020. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

Committee members	Number of Audit Committee Meetings attended/held
Mr. TSIM, Tak-lung Dominic (chairman)	3/3
Mr. HSU, Shu-tong	3/3
Mr. LEE, Kao-chao	3/3

A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 16 March 2012 and amended on 28 December 2015 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on Hong Kong Exchanges and Clearing Limited's ("HKEX") website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.



REMUNERATION COMMITTEE

During the year under review, a summary of the work carried out by the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;
- determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;
- reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee comprises of Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WANG, Kuo-ming who are independent non-executive Directors. The Remuneration Committee is chaired by Dr. WANG, Kuo-ming.

One meeting was held in 2020. Members of Remuneration Committee attendance at committee meeting held during their term of office are listed below:

	Number of Remuneration Committee Meeting attended/held
Committee members	
Dr. WANG, Kuo-ming (chairman)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Mr. HSU, Shu-tong	1/1

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the HKEX's website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Full disclosure of remunerations of Directors with disclosure by name, amount and type is set out in note 12 to the financial statements.

The remuneration of the members of senior management by bands in 2020 is set out below:

Remuneration bands	Number of individuals
HK\$1,000,001–HK\$1,500,000	1
HK\$1,500,001–HK\$2,000,000	1

INDEPENDENCE COMMITTEE

During the year under review, a summary of the work carried out by the Independence Committee include:

- reviewing all transactions between the Group, Asia Cement Corporation, Far Eastern New Century Corporation and Far Eastern Group to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and to recommend to the Board the corrective measures in such transactions if needed or not to proceed with such transactions;
- establishing, where applicable, guidelines for management to follow in its ongoing transactions between the Group, Asia Cement Corporation, Far Eastern New Century Corporation and Far Eastern Group;
- reviewing and assessing ongoing relationships between the Group, Asia Cement Corporation, Far Eastern New Century Corporation and Far Eastern Group to ensure compliance with the Committee's guidelines established as aforesaid and to ensure the continuation of such relationship remains fair to the Group; and



Corporate Governance Report

- analyzing and assessing any potential conflict of interests between the Group, Asia Cement Corporation, Far Eastern New Century Corporation and Far Eastern Group.

The Independence Committee comprises of Mr. TSIM, Tak-lung Dominic, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming who are independent non-executive Directors. The Independence Committee is chaired by Mr. LEE, Kao-chao.

One meeting of the Independence Committee was held in 2020. Members of Independence Committee attendance at committee meeting held during their term of office are listed below:

	Number of Independence Committee Meeting attended/held
Committee members	
Mr. LEE, Kao-chao (chairman)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Dr. WANG, Kuo-ming	1/1

Save as disclosed in the section headed “Continuing Connected Transaction” in the Director’s Report, no additional ongoing relationships or potential conflict was identified during the year.

NOMINATION COMMITTEE

The Nomination Committee comprises of Mr. HSU, Shu-tong who is a non-executive Director, and Mr. TSIM, Tak-lung Dominic and Mr. WANG, Wei who are independent non-executive Directors. The Nomination Committee is chaired by Mr. HSU, Shu-tong. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. A set of written terms of reference, which described the authority and duties of the Nomination Committee, was amended and adopted by the Board on 1 September 2013 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on the HKEx’s website at www.hkexnews.hk and on the Company’s website at www.achc.com.cn.

Main board Listing Rule 13.92 requires the Board should have a board diversity policy. The Nomination Committee has adopted a policy concerning diversity of Board members (the “Board Diversity Policy”) on 25 October 2013 and amended the same on 31 December 2018, which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee reviewed the Board Diversity Policy and discussed any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIRECTOR NOMINATION POLICY

The Company adopted a Director Nomination Policy on 31 December 2018 setting out the criteria and process in the nomination and appointment of Directors of the Company and ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company, and also ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the Nomination Committee should consider criteria including but not limited to character and integrity, qualifications, diversity of the Board, requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules, potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board.

Under the Director Nomination Policy, the Nomination Committee should, upon receipt of the proposal on appointment of new director and the biographical information of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a director



Corporate Governance Report

at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

One meeting of the Nomination Committee was held in 2020. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

	Number of Nomination Committee Meeting attended/held
Committee members	
Mr. HSU, Shu-tong (chairman)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Mr. WANG, Wei	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties set out in code provision D.3.1 of the CG Code as follows:

- (i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations to the Board;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements (where applicable);
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and
- (v) reviewing the Group's compliance with the CG code and disclosure requirements in the Corporate Governance Report.

The Board's annual reviews of the Company's corporate governance practices for the year ended 31 December 2020 has covered the aforesaid matters.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the 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 in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2020, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditors 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 47 of this annual report.

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external services provider, and Ms. CHOW, Yuk Yin Ivy ("Ms. CHOW") has been appointed as the company secretary of the Company in place of Ms. HO Siu Pik during the year. Ms. CHOW's primary contact person at the Company is Mr. WU Chien-hua, the Chief Financial Officer. During year 2020, Ms. CHOW undertook over 15 hours of professional training to update her skill and knowledge.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

EXTERNAL AUDITOR

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditor. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 49 and 50 of this annual report.



Corporate Governance Report

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2020 was as follows:

	2020 RMB'000	2019 RMB'000
Audit services	5,420	5,564
Non-audit services	–	–
Total	5,420	5,564

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management, conduct reviews of the effectiveness of the Company's risk management and internal control systems, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's risk management and internal audit department and management on the effectiveness of the Company's risk management and internal control systems, and reports to the Board on such reviews. In respect of the year ended 31 December 2020, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

The risk management and internal audit division of the Group should ensure that the Company maintains sound and effective risk management and internal controls to safeguard the shareholders' investment and the Company's assets. The main functions of the risk management and internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audit upon resignation of any key management personnel, to assist Board in reviewing the effectiveness of the risk management and internal control systems of the Group and to review risk management and internal controls of business processes and project based auditing. Evaluation of the Group's risk management and internal controls covering financial, operational compliance controls and risk management functions had been done on an ad hoc basis.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including independent non-executive Directors), senior management and external auditors shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the HKEx.

In accordance with Article 58 of the Articles, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings may request by writing for the attention of the Directors or the Company secretary to convene extraordinary general meetings and put forward proposals at such meetings within 21 days of such deposit. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company in Hong Kong at 11/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in the guidelines entitled "Procedures for Shareholders to Propose a Person for Election as a Director" on the Company's website at www.achc.com.cn.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Internal Audit Department of the Group. The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.



COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all executive Directors, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 16 March 2012 to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The 2020 annual general meeting of the Company ("2020 AGM") was held on 5 June 2020. The notice of the 2020 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2020 AGM.

The attendance record of the Directors at the general meetings is set out below:

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. HSU, Shu-ping	1/1
Mr. CHANG, Tsai-hsiung	1/1
Dr. WU, Chung-lih	1/1
Mr. CHANG, Chen-kuen	1/1
Mr. LIN, Seng-chang	1/1
Ms. WU, Ling-ling	1/1
Non-executive Director	
Mr. HSU, Shu-tong	1/1
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	1/1
Mr. WANG, Wei	1/1
Mr. LEE, Kao-chao	1/1
Dr. WANG, Kuo-ming	1/1

The Company's external auditor also attended the 2020 AGM.

To promote effective communication, the Company maintains a website at <http://www.achc.com.cn>, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.achc.com.cn.

DIVIDEND POLICY

The Board established a dividend policy and adopted it on 31 December 2018 setting out the principles and guidelines that the Company intends to apply when considering the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The Company is subject to the Articles of Association of the Company and all applicable laws (including the Cayman Company Laws), rules and regulations, during declaration and payment of dividends to shareholders of the Company.

CONSTITUTIONAL DOCUMENTS

The board of directors of the Company proposed to amend the Articles of Association of the Company to facilitate and enhance the flexibility in holding of general meetings by the Company on 24 April 2020. The Company then adopted an amended and restated articles of association on 5 June 2020. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the HKEx.



Directors and Senior Management

DIRECTORS

The Company has six executive Directors, one non-executive Director and four independent non-executive Directors. Their details are set out below:

NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 79, is the chairman of the Group. Mr. HSU's principal responsibilities involve leading the overall strategy and business development of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises of 249 companies extending into China with operations in countries including Japan, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 60,000, and in 2020, it has total assets of US\$99.9 billion and annual revenues of US\$22.6 billion.

The Group has nine public companies, which are leaders in their respective fields including Petrochemicals & Energy; Textile & Polyester Fiber; Cement/Building Material; Sea/Land Transportation; Financial Services; Construction; Telecommunications; Retail/Department Stores and Hotels. Group Foundations are committed to social responsibilities and include the establishment of Taiwan's leading private university, technical institute, and medical center/hospital. Mr. HSU is also the chairman of Far Eastern New Century Corporation, U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far Eastone Telecommunications Co., Ltd. and Asia Cement Corporation, the vice chairman of Far Eastern International Bank and a director of Everest Textile Co., Ltd., which are listed in Taiwan.

Outside Far Eastern Group, Mr. HSU's professional and other affiliations in prominent organizations include: Director of MasterCard Asia/Pacific Regional Advisory Board, Member of Asia Business Council, Director of Asian Cultural Council, Advisor of International Advisory Council for Wuhan Municipal People's Government, Director of Chung-Hua Institution for Economic Research, Director of the Straits Exchange Foundation, Director of Chiang Ching-kuo Foundation for International Scholarly Exchange, Board Member of National Cultural & Arts Foundation, Chairman of Asian Cultural Council Taipei, Trustees Emeritus of University of Notre Dame, former President of International Textile Manufacturers Federation (ITMF), and former Co-Chair of Nature Conservancy Asia Pacific Council.

Mr. HSU graduated from the University of Notre Dame, IN (BA, MA) with post-graduate studies in economics at Columbia University, NY in the US. Since 2002 he holds an honorary doctorate of management from National Chiao Tung University in Taiwan.

Mr. HSU is brother of Mr. HSU, Shu-ping, executive Director of the Company.



Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 75, is an executive Director and the vice chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and the vice chairman of Far EastTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr. CHANG, Tsai-hsiung (張才雄), aged 97, is an executive Director of the Group. He is mainly responsible for the formulation and implementation of the overall business strategy and the planning and supervision of the Group's overall operation in China. Mr CHANG is also an executive director of Asia Cement Corporation and a director of U-Ming Marine Transport Corporation, companies listed in Taiwan. Mr CHANG has more than 53 years of experience in the cement industry in both Taiwan and Mainland China. He has devoted enormous efforts in introducing advanced production techniques and highly efficient operation management to the cement industry in Taiwan and Mainland China. Under Mr CHANG's supervision, the production scale and operation efficiency of the Group's production facilities in Mainland China continue to increase. In recent years, together with the management team of the Group, Mr CHANG actively promoted the implementation of energy saving and environmental protection measures during the cement production process, while utilizing cement production facilities to solve urban waste problem. Mr CHANG joined Far Eastern Group, Asia Cement Corporation, since 1963 and later joined the Group in October 1997. During his tenure with the Company, Mr CHANG had taken various positions including engineer, deputy factory head, factory head, chief factory head, deputy general manager, general manager and officer-in-charge of factory construction and chief operation officer of the subsidiaries of the Group, vice chairman and the prestigious position as the advisor of the Group. Besides serving as engineer in various companies in Mainland China in his early years, Mr CHANG was also hired as engineer, factory head of maintenance plant and division head of ship machinery by Keelung Harbour Bureau and Hualien Harbour Bureau in Taiwan.

Dr. WU, Chung-lih (吳中立), aged 71, is an executive Director, the chief executive officer. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Ms. WU, Ling-ling (吳玲綾), aged 55, has served as an executive Director since April 2016. Ms. WU is also the chief financial officer and executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and its affiliate, Far Eastern Group of Taiwan ("FEG"). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of **China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015 and since 23 May 2018. From June 2001 to July 2007, Ms. WU served as Vice President of Internal Audit Department and Corporate Controller of Far EastTone Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People's Republic of China as well as abroad.



Directors and Senior Management

Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. In addition, with her experience in public and private companies in United States, Hong Kong and Taiwan, Ms. WU also has in-depth experience and knowledge of corporate governance and best practices.

Ms. WU is a certified public accountant registered in the United States and Taiwan. She received a Master of Business Administration degree having majored in Accounting from the California State University, Los Angeles in 1993 and a Master of Business Administration degree from National Chengchi University in Taipei, Taiwan in 2008.

Mr. CHANG, Chen-kuen (張振崑), aged 74, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 49 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 77, is an executive Director, the business consultant of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 74, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Mr. LEE, Kao-chao (李高朝), aged 83, has served as an independent non-executive Director of the Company since April 2015. Mr. LEE completed his M.A. from Agricultural Economics Graduate School of Taiwan University in 1960. In 1973, Mr. LEE went to Vanderbilt University, Tennessee, USA, for his second M.A. in Economic Development, before returning to his position as the Director of Economic Research Department in Council for Economic Planning and Development ("CEPD"), Executive Yuan, Taiwan. Later on, Mr. LEE was promoted as Vice Chairman, or Deputy Minister of CEPD, which position he had stayed for eight years and he was responsible for coordination of economic policies. Mr. LEE has been a director of the board of Taipei City Bank, now privatized Taipei-Fubon Bank, for eight years, and a director of the board of Chang Hwa Bank for three years, well contributing his knowledge on economic and financial development at home and abroad. Mr. LEE has long been the ad joint professor in Taiwan University, teaching Inter-industry relationship, or Input-output Study, which area he has well practicing the interactions of industries. He had been teaching managerial economics in the Business School of Yuan Ze University after retiring from government sector. Mr. LEE served as an independent director of Asia Cement Corporations from June 2005 to June 2014.

** Companies Listed on The Stock Exchange of Hong Kong Limited



Directors and Senior Management

Mr. WANG, Wei (王偉), aged 64, has served as an independent non-executive Director of the Company since April 2015. Mr. WANG was the vice president of China National Materials Company Limited (“Sinoma”) and retired in 2016. Mr. WANG served as a director and the president of Sinoma International Engineering Co., Ltd from December 2001 to December 2009 and as the chairman of the board of Sinoma International Engineering Co., Ltd from December 2009 to September 2014. Mr. WANG served as the supervisor of Sinoma from July 2007 to March 2010 and was appointed as the vice president of Sinoma in March 2010. Mr. WANG joined the Sinoma group in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. WANG served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. WANG has extensive knowledge of the industry. Before he retired, he also served as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products, an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies, the China director of the BRICS Business Council, the vice president of China Building Materials Federation and the vice president of China Cement Association. Mr. WANG graduated from Nanjing University of Technology in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

Dr. WANG, Kuo-ming (王國明), aged 77, has served as an independent non-executive Director of the Company since October 2015. Dr. WANG graduated from the Kansas State University with a master degree and PhD degree in Industrial Engineering. Following graduation, he returned to Taiwan and joined Nation Tsing Hua University, where he was an associate professor, professor, head of the department of industrial engineering, and secretary general. In 1989, Dr. WANG was appointed as the founding president of Yuan Ze University. Under his 10-year leadership from 1989 to 1999, Yuan Ze University developed into the best private university in Taiwan. Dr. WANG then returned to National Tsing Hua University and served as the dean and professor of Technology Management College from 2000 to 2003.

With regards government service, Dr. WANG served as chief consultant to the Minister of Education from 1986 to 1988. He also had one year of experience with the central government of Taiwan as director of the Control Department and the Managing Information Systems Division of Research and Development, Control and Evaluation Commission. Being the first PhD in industrial engineering in Taiwan, Dr. WANG was the founding convenor of the Industrial Engineering Division of the National Science Council. He was also the first recipient of the Industrial Engineering Medal awarded by the Chinese Institute of Industrial Engineers.

In 2004, Dr. WANG was elected president of Nan Kai University of Technology. During his 6-year tenure there, Dr. WANG devoted himself in gerontechnology and service management and built Nan Kai University of Technology into the first university in Taiwan focusing on this area. He also found the Chinese Society of Gerontechnology and Service Management in 2009, and served as the president of the society for four years. Dr. WANG is currently the University Emeritus Professor of Yuan Ze University and he keeps leading the promotion and development in gerontechnology in Taiwan.



Directors and Senior Management

SENIOR MANAGEMENT

Mr. WU, Chien-hua (吳建華), aged 65, is the Chief Financial Officer, and is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement Corporation in July 1981 and joined the Group in March 2005.

Mr. YU, Dong-lin (余東霖), aged 70, is the Chief Administrative Officer, and is primarily responsible for managing human resources of the Group, and is in charge of the daily administration and procurement of the Group. Mr. YU has over 40 years of experience in human resources, administration and operation in Asia Cement Corporation, the parent company of the Group, and joined the Group in November 2014.

Mr. FANG, Lu-hsing (方履興), aged 69, is the Chief Marketing Officer, and is primarily responsible for the sales operation of the Group. Mr. FANG graduated from National Chung Hsing University in Taiwan. Mr. FANG joined Asia Cement Corporation in June 1978 and joined the Group in December 1997.

COMPANY SECRETARY

Ms. CHOW, Yuk Yin Ivy (周玉燕) was appointed as the company secretary on 7 August 2020. Ms. Chow has over 20 years of experience in the corporate secretarial field.

Since January 2003, she has been working in the group companies of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services, with her latest and current position as Director, Corporate Services Division, where she has been responsible for the provision of professional corporate secretarial services to companies listed on the Stock Exchange and other multinational, private and offshore companies. Prior to that, Ms. Chow worked with PricewaterhouseCoopers Limited in Hong Kong in various positions in the company secretarial section of its tax department.

Ms. Chow is a fellow member of both The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Chow is also a member of the Hong Kong Securities and Investment Institute. Ms. Chow obtained her Bachelor of Arts degree in Business Studies from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic).



Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 138 to 140 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year under review.

BUSINESS REVIEW

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended 31 December 2020, and the likely future development in the Group's business can be found in the sections headed "Chairman's Statement" on pages 4 to 6 and "Management Discussion and Analysis" on pages 13 to 22 of the annual report. Details about the Group's financial risk management are set out in Note 41 to the consolidated financial statements. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

The Directors recommended the payment of a final dividend of RMB51.1 cents per ordinary share, totaling RMB800,661,000 in respect of the year to shareholders on the register of members on 22 June 2021. The proposed final dividend for the year ended 31 December 2020 has been approved at the Company's Board meeting on 31 March 2021. Details of the dividends for the year ended 31 December 2020 are set forth in note 13 to the consolidated financial statements.

A final dividend of RMB50 cents per ordinary share in respect of the year 2019 was paid on 23 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 June 2021.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Tuesday, 22 June 2021 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 June 2021.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in note 45 to the consolidated financial statements and in the consolidated statement of changes in equity on page 54 of this annual report.



DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB4,476.3 million. The amount of approximately RMB4,476.3 million includes the Company's share premium account of approximately RMB1,308.7 million and retained earnings of approximately RMB3,167.6 million in aggregate as at 31 December 2020, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB8.2 million (2019: 1.4 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 15 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 are set forth in notes 34 and 37 to the consolidated financial statements, respectively and in the section headed "Director's Report – Share Option Schemes" in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the years 2019 and 2020 under review are set out below:

- Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2019 and 2020.
- Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2019 and 2020.
- To the best knowledge of the Directors, at no time during the year under review did any Director, their close associates (as defined in the Listing Rules) or any shareholder of the Company that owned more than 5% of the Company's issued shares, had direct or indirect interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 2020 are set out in note 39 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions as defined under the Listing Rules.



Directors' Report

DIRECTORS

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

Executive Directors

Mr. HSU, Shu-ping (*Vice Chairman*)
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih (*Chief Executive Officer*)
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. WU, Ling-ling

Non-executive Director

Mr. HSU, Shu-tong (*Chairman*)

Independent Non-executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming

In accordance with the Articles, one third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Also, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the Directors eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company in due course.

Mr. HSU, Shu-tong, Chairman and non-executive Director and Mr. HSU, Shu-ping, Vice Chairman and executive Director, are brothers.

Saved as disclosed above, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGERMENTS' BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 36 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

There are no changes to the Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 in 2020 are set out in note 12 to the consolidated financial statements.



DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the financial year ended 31 December 2020.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2020 or at any time during the financial year ended 31 December 2020.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2020, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lin, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2020, and Ms. WU, Ling-ling has entered into a service contract with the Company for a term of three years commencing on 1 April 2019, all of which may 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 issued an appointment letter to Mr. HSU, Shu-tong, non executive Director, for a term of three years commencing on 27 April 2020, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. Wang, Kuo-ming commencing on 7 April 2020, 13 April 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two 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 terminable by the Group within one year without payment of compensation, other than normal statutory compensation.

CONFIRMATION 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 Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Schemes" below, at no time during the year was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives	Total interests	
Mr. HSU, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. HSU, Shu-ping	200,000	–	200,000	0.01%
Mr. CHANG, Tsai-hsiung	319,500	–	319,500	0.02%
Dr. WU, Chung-lih	245,000	–	245,000	0.01%
Mr. CHANG, Chen-kuen	713,000	–	713,000	0.04%
Mr. LIN, Seng-chang	290,000	–	290,000	0.01%
Ms. WU, Ling-ling	20,000	–	20,000	0.001%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest			Total no. of shares in the associated corporation	% of shareholding in the associated corporation
		Personal	Through spouse	Corporate		
Mr. HSU, Shu-tong	Asia Cement Corporation ("Asia Cement")	23,278,334	6,352,467	–	29,630,801	0.88%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	4,000	–	–	4,000	0.0007%
Mr. HSU, Shu-ping	Asia Cement	13,454,981	–	–	13,454,981	0.40%
Mr. CHANG, Tsai-hsiung	Asia Cement	459,350	110,877	–	570,227	0.02%
	Oriental Industrial	2,000	–	–	2,000	0.0004%
Mr. CHANG, Chen-kuen	Asia Cement	29,745	5,358	–	35,103	0.001%
Mr. LIN, Seng-chang	Asia Cement	16,892	476	–	17,368	0.0005%
Dr. WANG, Kuo-ming	Asia Cement	–	1,841	–	1,841	0.00005%



Directors' Report

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2020 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement (Note 1)	Beneficial owner	1,061,209,202	67.73%
	Interest of corporation controlled	83,652,798	5.34%
		1,144,862,000	73.07%
Far Eastern New Century Corporation (Note 2)	Beneficial owner	1,061,209,202	67.73%
	Interest of corporation controlled	83,652,798	5.34%
		1,144,862,000	73.07%

Notes:

- Asia Cement beneficially owns approximately 67.73% interest of the Company. Asia Cement Singapore holds approximately 4.07% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.07% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Asia Engineering Enterprise Corporation holds approximately 0.20% interest in the Company, which is approximately 98.30% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 0.20% interest of the Company by virtue of its corporate interest in Asia Engineering Enterprise Corporation. Further, Falcon Investments Private Limited holds approximately 1.07% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 1.07% interest of the Company under the SFO.
- As at 31 December 2020, Far Eastern New Century Corporation held approximately 22.32% of the issued share capital of Asia Cement and together with certain companies which Far Eastern New Century Corporation is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than 27% of the issued share capital of Asia Cement.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.



Directors' Report

SHARE OPTION SCHEME

The Share Option Scheme approved and adopted by the Company on 27 April 2008 expired on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2020, or as at the date of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is determined by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2020.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES

The Group is committed to promoting awareness and decisions that contribute to achieving environmentally sustainable development. We will comply fully with all applicable environmental laws and regulations. We will use fuel, water and other natural resources efficiently and conservatively. We recognise this to be a continuous process of improvement and we seek to actively look for environmental friendly options and carry out environmental friendly practices whenever appropriate and possible.



KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the reporting period, our staff members continuously pursued training and career development through our training system.

Customers' feedback and advice had been taken into account via customer communication channel.

The Group uses suppliers that reflect its values and commitment. The Group has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards.

NON-COMPETITION UNDERTAKING

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified during the year. Besides, the independent non-executive Directors conducted an annual review on the compliance of the Deed of Non-Competition (as defined in the Prospectus) which was amended by an amendment deed entered into between Asia Cement Corporation ("Asia Cement"), Far Eastern New Century Corporation ("Far Eastern New Century") and the Company on 24 June 2014, and approved by the independent shareholders of the Company on 6 August 2014 (the "Amended Deed").

In determining whether each of Asia Cement and Far Eastern New Century had fully complied with the non-competition undertakings during the year ended 31 December 2020 for the annual review, the Company noted that (a) each of Asia Cement and Far Eastern New Century declared that they had fully complied with the terms of the Amended Deed at 31 December 2020, (b) no new competing business was reported by each of Asia Cement and Far Eastern New Century as at 31 December 2020; and (c) the independent non-executive Directors had reviewed the compliance of non-competition undertakings by each of Asia Cement and Far Eastern New Century as the part of the annual review process.

In view of the above, the Company confirmed that all of the non-competition undertakings in the Amended Deed have been complied with by each of Asia Cement and Far Eastern New Century for the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2020.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors of the Company was not in force during the years ended 31 December 2019 and 2020.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2020, none of the related party transactions as stated on page 38 constitutes connected transactions as defined under the Listing Rules.



SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, at least 25% of the Company's total issued share capital was held by the public, as at the date of this annual report.

AUDITOR

The Company has appointed Messrs. Deloitte Touche Tohmatsu as the auditor of the Company for the year under review. Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

DISCUSSION ON QUALIFIED OPINION

(a) Management analysis on the impact of the qualified opinion on the Company's financial position

The management of the Group (the "Management"), through the Audit Committee, noted that the Financial Statements were subject to the qualified opinion of the auditor (the "Audit Qualification"), on the basis as set out in the section headed "Basis for the Qualified Opinion" in the Independent Auditor's Report. The reason which gave rise to the qualified opinion was due to the practical limitation on the provision of adequate documentary evidence to the auditor, to assess the underlying assets, existence and nature of any business operation and the credit risk, associated with the ultimate entity(ies) who received or utilised any of the proceeds under each of the USD Notes (the "Requested Information"). There were no other satisfactory procedures that the auditor could perform to determine whether the classification of the USD Notes measured at amortised cost and the subsequent measurement with a loss allowance for expected credit loss of zero were appropriate and whether any adjustments to the carrying values of the USD Notes were necessary. It is not practicable to quantify the effects of the above scope limitation on the consolidated financial statements for the year ended 31 December 2020.

Given the Audit Qualification is merely due to the reason that the auditor could not determine whether the accounting treatment and disclosures about the USD Notes were properly made in accordance with International Financial Reporting Standard 9 *Financial Instruments* and International Financial Reporting Standard 7 *Financial Instruments: Disclosures*, the Management is of the view that the Audit Qualification does not have any actual impact on the consolidated financial position of the Group as at 31 December 2020 and the consolidated financial performance and consolidated cash flow of the Group for the year then ended.

(b) The Management's and the Audit Committee's view on the Audit Qualification

The Management was given to understand that the basis of the Audit Qualification was due to the inherent limitation in practice as a result of the inability of the Notes Issuers (as defined in note 27) to provide the Requested Information to the Company and its auditor despite the Company's requests. The Management has considered the auditor's view as mentioned in the "Basis for Qualified Opinion" of the Independent Auditor's Report and considers the Audit Qualification has been properly addressed.

The Audit Committee has also reviewed the Independent Auditor's Report which highlighted, among other things, the key issues and findings during their audit and the details of the Audit Qualification. For the year ended 31 December 2020, there are no disagreements between the Audit Committee and the Management concerning the Audit Qualification.



(c) The Company's proposed plans and timetable to address the Audit Qualification

The Company has taken all reasonable measures to address the Audit Qualification including proactively communicating with the Notes Issuers and their professional advisors, and promptly addressing the auditor's requests with best efforts. The Management is of the view that the absence of the Requested Information would not materially affect the quality of the investments in the USD Notes as a whole. In any event, the USD Notes are secured by all the present and future undertaking and assets of the Notes Issuers. Upon occurrence of any event of default as specified in the USD Notes, the Company is entitled to enforce against the Notes Issuers over such security to protect its interest. To the best knowledge and belief of the Company and as at the date of this announcement, the Company is not aware of any occurrence of event of default under the USD Notes.

Further, the Board expects the USD Notes will mature by their respective maturity dates which would be by November 2021, whereupon the principal and interest of the USD Notes would be duly repaid in full. As such, the Audit Qualification would not be carried forward to the figures related to the Group's consolidated financial statements for the year ending 31 December 2021 but subject to the auditor's assessment on the audit evidence obtained during the audit of the Group's consolidated financial statements for the year ending 31 December 2021.

On behalf of the Board

HSU Shu-tong

Chairman

6 May 2021



Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF ASIA CEMENT (CHINA) HOLDINGS CORPORATION

亞洲水泥(中國)控股公司
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As set out in notes 27 and 41 to the consolidated financial statements, the Group held five USD denominated 1% fixed-rate secured notes with an aggregate amount of US\$368,000,000 (equivalent to RMB2,401,163,000) with maturity of one year issued by five independent private entities as at 31 December 2020 (the "USD Notes"). The USD Notes, being shown as note receivables in the consolidated statement of financial position, are measured at amortised cost with a loss allowance for expected credit loss of zero. However, the management of the Group was unable to provide us with adequate documentary evidence to confirm that the USD Notes which prima facie have contractual terms giving rise on specified dates to cash flows that may be solely payments of principal and interest on the principal amount outstanding in order to conclude on the appropriateness of classifying these financial assets to be measured at amortised cost, or properly evaluate the associated loss allowance for expected credit loss, in accordance with International Financial Reporting Standard 9 *Financial Instruments*. Consequently, we are unable to evaluate the accuracy of the disclosures related to the USD Notes in accordance with International Financial Reporting Standard 7 *Financial Instruments: Disclosures*.

Given the above scope limitation, there were no other satisfactory procedures that we could perform to determine whether the classification of the USD Notes measured at amortised cost and the subsequent measurement with a loss allowance for expected credit losses of zero were appropriate and whether any adjustments to the carrying values of USD Notes were necessary. Consequently, we were unable to obtain sufficient appropriate audit evidence to assess whether the carrying amount of the USD Notes and the related disclosures are free from material misstatement. It is not practicable for us to quantify the effects of the above scope limitation on the consolidated financial statements for the year ended 31 December 2020.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA's Code of Ethics for Professional Accountants (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 qualified opinion.



Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
<p><i>Estimated provision of expected credit losses for trade receivables</i></p> <p>We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.</p> <p>As at 31 December 2020, the Group's net trade receivables amounting to approximately RMB812,143,000, which represented approximately 3.75% of total assets of the Group and out of these trade receivables of approximately RMB222,966,000 were past due.</p> <p>As disclosed in note 41(b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on a provision matrix through grouping of various debtors that have common risk characteristic, after considering ageing and repayment history of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.</p> <p>As disclosed in note 41(b) to the consolidated financial statements, the Group recognised an additional amount of RMB105,476,000 of impairment of trade receivables for the year ended 31 December 2020 and the Group's lifetime ECL on trade receivables as at 31 December 2020 amounted to approximately RMB246,850,000.</p>	<p>Our procedures in relation to impairment assessment of trade receivables included:</p> <ul style="list-style-type: none">• Understanding key controls on how the management estimates the loss allowance for trade receivables;• Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices, delivery documents and other supporting documents; and• Verifying management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2020, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).



Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.



Independent Auditor's Report

- 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 threat 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 matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
6 May 2021



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	10,823,753	12,608,716
Cost of sales		(6,304,971)	(7,289,590)
Gross profit		4,518,782	5,319,126
Other income	7	274,258	238,252
Other gains and losses	8	(27,003)	(23,302)
Allowance for credit losses on trade and other receivables, net		(115,231)	(45,058)
Distribution and selling expenses		(435,567)	(447,454)
Administrative expenses		(396,602)	(428,509)
Finance costs	9	(135,934)	(267,721)
Share of profits of joint ventures	20	10,196	9,579
Share of losses of associates	21	(6,138)	(4,833)
Profit before tax		3,686,761	4,350,080
Income tax expense	10	(936,352)	(1,119,984)
Profit and total comprehensive income for the year	11	2,750,409	3,230,096
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		2,668,708	3,147,340
Non-controlling interests		81,701	82,756
		2,750,409	3,230,096
Earnings per share		RMB	RMB
Basic	14	1.703	2.009



Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	7,586,580	8,077,172
Quarry	16	999,574	964,761
Investment properties	17	123,247	82,420
Goodwill	18	554,241	554,241
Intangible assets	19	4,822	3,571
Interests in joint ventures	20	60,515	56,491
Interests in associates	21	718,025	725,122
Deferred tax assets	32	110,571	82,222
Right-of-use assets	22	802,275	819,682
		10,959,850	11,365,682
CURRENT ASSETS			
Inventories	23	608,368	674,380
Trade and other receivables	24	2,385,038	3,962,640
Note receivables	27	2,401,163	–
Amount due from an associate	25	4,224	15,959
Amount due from a joint venture	25	–	10,014
Restricted bank deposits	26	–	14,503
Bank balances and cash	26	5,275,608	7,942,576
		10,674,401	12,620,072
CURRENT LIABILITIES			
Trade and other payables	28	1,204,170	2,174,123
Contract liabilities	29	229,310	185,525
Amounts due to joint ventures	25	13,490	5,563
Tax payables		494,122	555,414
Borrowings – due within one year	30	872,988	4,770,215
Lease liabilities	31	6,007	4,512
		2,820,087	7,695,352
NET CURRENT ASSETS		7,854,314	4,924,720
TOTAL ASSETS LESS CURRENT LIABILITIES		18,814,164	16,290,402



Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	30	2,099,171	1,444,094
Deferred tax liabilities	32	47,176	70,555
Provision for environmental restoration	33	38,161	36,734
Lease liabilities	31	98,428	96,025
		2,282,936	1,647,408
NET ASSETS			
		16,531,228	14,642,994
CAPITAL AND RESERVES			
Share capital	34	140,390	140,390
Reserves		16,008,693	14,123,411
Equity attributable to owners of the Company		16,149,083	14,263,801
Non-controlling interests		382,145	379,193
TOTAL EQUITY			
		16,531,228	14,642,994

The consolidated financial statements on pages 51 to 143 were approved and authorised for issue by the Board of Directors on 6 May 2021 and are signed on its behalf by:

HSU, SHU-PING
DIRECTOR

WU, CHUNG-LIH
DIRECTOR



Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company							Attributable to non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 (note a)	Statutory reserves RMB'000 (note b)	Other reserves RMB'000 (note c)	Special reserve RMB'000 (note d)	Retained earnings RMB'000	Sub-total RMB'000		
At 1 January 2019	140,390	3,063,595	1,724,496	286,038	1,635,906	5,237,484	12,087,909	354,437	12,442,346
Profit and total comprehensive income for the year	-	-	-	-	-	3,147,340	3,147,340	82,756	3,230,096
Appropriation	-	-	585,850	-	-	(585,850)	-	-	-
Dividends recognised as distribution (note 13)	-	(971,448)	-	-	-	-	(971,448)	-	(971,448)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(58,000)	(58,000)
At 31 December 2019	140,390	2,092,147	2,310,346	286,038	1,635,906	7,798,974	14,263,801	379,193	14,642,994
Profit and total comprehensive income for the year	-	-	-	-	-	2,668,708	2,668,708	81,701	2,750,409
Appropriation	-	-	767,373	-	-	(767,373)	-	-	-
Dividends recognised as distribution (note 13)	-	(783,426)	-	-	-	-	(783,426)	-	(783,426)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(78,749)	(78,749)
At 31 December 2020	140,390	1,308,721	3,077,719	286,038	1,635,906	9,700,309	16,149,083	382,145	16,531,228

Notes:

- a. In accordance with the Cayman Islands Companies Law, share premium is one of the Company's reserves available for distribution.
- b. In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

All appropriations to the funds are made at the discretion of the subsidiaries' board of directors. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary subject to approval from the relevant PRC authorities.

The above reserve funds are not available for dividend distributions to the shareholders of the subsidiaries.

- c. Other reserves as at 31 December 2020 and 2019 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.
- d. Special reserve as at 31 December 2020 and 2019 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.



Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	3,686,761	4,350,080
Adjustments for:		
Depreciation and amortisation	906,061	1,106,303
Finance costs	135,934	267,721
(Gain) loss on fair value change on investment properties	(2,180)	7,310
Allowance for credit losses on trade and other receivables, net	115,231	45,058
Provision for environmental restoration	1,427	5,456
Loss on disposal/write off of property, plant and equipment	35,230	11,420
Gain on disposal of right-of-use assets	(13,066)	–
Interest income on bank deposits	(176,499)	(162,183)
Interest income from advance to a joint venture	(235)	(786)
Interest income from note receivables	(3,712)	–
Share of profits of joint ventures	(10,196)	(9,579)
Share of losses of associates	6,138	4,833
Operating cash flows before movements in working capital	4,680,894	5,625,633
Decrease in inventories	66,012	51,859
Decrease in trade and other receivables	1,445,688	83,932
Decrease (increase) in amount due from an associate	11,735	(4,702)
(Decrease) increase in trade and other payables	(189,528)	69,434
Increase (decrease) in amounts due to joint ventures	7,927	(9,787)
Increase in contract liabilities	43,785	49,170
Cash generated from operations	6,066,513	5,865,539
Income taxes paid	(1,049,372)	(982,235)
NET CASH FROM OPERATING ACTIVITIES	5,017,141	4,883,304



Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of note receivables	(2,401,163)	–
Payment for mine reserve fund payable	(775,307)	–
Purchases of property, plant and equipment	(348,871)	(228,297)
Placement of bank deposits with maturity of more than three months	(315,000)	(495,000)
Purchase of quarry	(105,900)	(11,115)
Purchases of land use rights	(15,504)	–
Purchases of intangible assets	(2,959)	(942)
Interest received on bank deposits	158,247	173,460
Repayment from a joint venture	10,014	33,500
Proceeds on disposal of right-of-use assets	15,000	–
Withdrawal of restricted bank deposits	14,503	4,685
Proceeds on disposal of property, plant and equipment	9,910	6,270
Dividends received from a joint venture	6,172	2,133
Interest received from advance to a joint venture	235	807
Dividends received from an associate	959	800
Repayment from related companies	–	701,698
Investment in an associate	–	(714,190)
Loans to related companies	–	(155,099)
Advances to a joint venture	–	(19,000)
Placement of restricted bank deposits	–	(11,311)
NET CASH USED IN INVESTING ACTIVITIES	(3,749,664)	(711,601)
FINANCING ACTIVITIES		
Repayments of borrowings	(18,143,777)	(10,345,023)
Interest paid	(134,516)	(276,111)
Dividends paid	(783,426)	(971,448)
Dividends paid to non-controlling interests	(78,749)	(58,000)
Repayments of lease liabilities	(4,068)	(8,399)
Interest paid on lease liabilities	(6,536)	(3,025)
New borrowings raised	14,901,627	9,929,188
NET CASH USED IN FINANCING ACTIVITIES	(4,249,445)	(1,732,818)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,981,968)	2,438,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,447,576	5,008,691
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note)	4,465,608	7,447,576
Represented by		
Bank balances and cash	5,275,608	7,942,576
Bank deposits with maturity of more than three months	(810,000)	(495,000)
	4,465,608	7,447,576

Note: The cash and cash equivalents as at 31 December 2019 had been restated for the placement of bank deposits with maturity of more than three months amounting to RMB495,000,000 to investing activities.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Asia Cement (China) Holdings Corporation (the “Company”) is a public limited company incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the “Group”) are principally engaged in the manufacture and sale of cement, concrete and related products.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS STANDARDS”)

Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidation financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of *the Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRS Standards in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

Amendments to IFRS Standards that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRS Standards issued but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
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 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ²

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

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

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS STANDARDS”) (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate (“LIBOR”) for USD bank borrowings which will be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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

3.1 Basis of preparation of consolidated financial statement

The consolidated financial statements have been prepared in accordance with IFRS Standards. For the purpose of preparation of the consolidated financial statement, information is considered material if each 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 the Stock Exchange and by the Hong Kong Companies Ordinance.

Going concern assessment

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. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statement (continued)

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 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* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For investment properties 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 into 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 entities controlled by the Company and its subsidiaries. Control is achieved where 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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 subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the years 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.

When 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 and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;
- 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 *Financial Instruments* ("IFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) 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 cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) 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 on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, 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 cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described as below.

Investments in associates and joint ventures

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 those 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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 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 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 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 joint venture.

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 assess 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 *Impairment of Assets* 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 or joint venture 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 or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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.

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.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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 measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 disposals. A leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 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. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group also applies the practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contract with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Quarry

Quarry represents the expenditures incurred by the Group on the (i) acquisition of rights to explore mines and (ii) fulfilment of those specific conditions attached to such rights such as overburden removing, geological conditions improvement and geological exploration. The quarry is stated at cost less amortisation and any recognised impairment loss. The cost of quarry is amortised on a straight-line basis over the shorter of the estimated useful life or the period of the excavation permit of the quarry.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any 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 accounted for on a prospective basis.

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.

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 are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, the Group compares the carrying amounts of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 cash-generating units. 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 cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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. 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.

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, contract 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".



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-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 Standards 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, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS Standards requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services 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-based payments reserve). At the end of each reporting period, the Group revises its estimate 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 the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments 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-based payments reserve will be transferred to retained earnings.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 goodwill or 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in 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 and interests 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 the 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 is 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 is recognised in profit or loss. 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or 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 financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 liability and of allocating interest income and 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

(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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, note receivables, amount due from an associate, amount due from a joint venture, restricted bank deposits and bank balances and cash) 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. Assessments 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. Trade receivables that are credit-impaired are assessed for ECL individually. The ECL on remaining trade receivables are assessed collectively using a provision matrix with appropriate groupings.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other instruments, 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.

(i) Significant increase in credit risk

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 a 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.

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 issued by a group entity 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to joint ventures, lease liabilities and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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.

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the quarry has been excavated. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Such provision is measured based on the present value of future cash outflows expected to be incurred to settle the obligation (where the effect is material). The limestone excavated from the quarry is used for the production of cement. Thus, the related cost for environmental restoration is recognised as cost of sales.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision of ECL for trade receivables

Trade receivables that are credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable and 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 ECL and the Group's trade receivables are disclosed in notes 41(b) and 24, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2020 RMB'000	2019 RMB'000
At a point in time recognition:		
– Sales of cement products and related products	10,242,944	11,796,770
– Sales of concrete	580,809	811,946
	10,823,753	12,608,716

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has transferred, i.e. when the goods have been transferred out from the Group's warehouse (delivery). Following the delivery, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers (continued)

Sales of cement products and related products and concrete (revenue recognised at one point in time) (continued)

Under the Group's standard contract terms, customers have a right to exchange for products which were not in good quality within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales for which it is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

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

6. OPERATING SEGMENTS

Internal reports that are regularly reviewed by the chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and the assessment of segment performance focus on the revenue and operating results of the cement business and the concrete business, respectively. They are considered as the operating and reportable segments of the Group under IFRS 8. Information relating to assets and liabilities in each segment is not included in the internal reports regularly reviewed by CODM.

The cement business segment and the concrete business segment both include a number of operations in various cities within PRC each of which is considered as a separate operating segment of the CODM. For financial statements presentation purpose, these individual operating segments have been aggregated into the cement business segment or the concrete business segment by taking into account the following factors:

- these operating segments have similar long-term gross profit margins;
- the nature of the products and production processes are similar; and
- the methods used to distribute the products to the customers are the same.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

6. OPERATING SEGMENTS (continued)

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

For the year ended 31 December 2020

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	10,242,944	580,809	10,823,753	–	10,823,753
Inter-segment sales	169,572	3	169,575	(169,575)	–
Total	10,412,516	580,812	10,993,328	(169,575)	10,823,753
Segment result	3,795,747	(38,693)	3,757,054	–	3,757,054
Unallocated income					112,684
Central administration costs, directors' salaries and other unallocated expenses					(51,101)
Share of profits of joint ventures					10,196
Share of losses of associates					(6,138)
Finance costs					(135,934)
Profit before tax					3,686,761



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. OPERATING SEGMENTS (continued)

For the year ended 31 December 2019

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	11,796,770	811,946	12,608,716	–	12,608,716
Inter-segment sales	181,615	14,177	195,792	(195,792)	–
Total	11,978,385	826,123	12,804,508	(195,792)	12,608,716
Segment result	4,545,413	65,526	4,610,939	–	4,610,939
Unallocated income					145,637
Central administration costs, directors' salaries and other unallocated expenses					(143,521)
Share of profits of joint ventures					9,579
Share of losses of associates					(4,833)
Finance costs					(267,721)
Profit before tax					4,350,080

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit or loss earned by each segment without allocation of certain income, central administration costs, directors' salaries, other unallocated expenses, share of profit or loss of joint ventures and associates and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage of profit mark-up.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

6. OPERATING SEGMENTS (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2020				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(64,339)	(1,813)	(110,347)	(176,499)
Interest income on advance to a joint venture	(235)	–	–	(235)
Interest income on note receivables	–	–	(3,712)	(3,712)
Government grants	(84,356)	(105)	(148)	(84,609)
Depreciation and amortisation	886,906	13,424	6,271	906,601
Loss on disposal/write-off of property, plant and equipment	34,790	497	(57)	35,230
Gain on disposal of right-of-use assets	(13,066)	–	–	(13,066)
Allowance for credit losses on trade and other receivables, net	18,394	97,099	(262)	115,231
Exchange loss, net	972	–	6,047	7,019
Amounts that regularly provided to CODM:				
Additions to non-current assets (<i>note</i>)	463,725	13,410	42,712	519,847



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. OPERATING SEGMENTS (continued)

Other segment information (continued)

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2019				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(43,011)	(778)	(118,394)	(162,183)
Interest income on advance to a joint venture	(786)	–	–	(786)
Government grants	(48,826)	(50)	(91)	(48,967)
Depreciation and amortisation	1,084,321	15,607	6,375	1,106,303
Loss on disposal/write-off of property, plant and equipment	12,469	31	(1,080)	11,420
Allowance for credit losses on trade receivables, net	45,988	143	(1,073)	45,058
Exchange loss, net	142	–	9,940	10,082
Recovery of bad debts previously written off	(264)	(5,246)	–	(5,510)
Amounts that regularly provided to CODM:				
Additions to non-current assets (<i>note</i>)	1,357,489	2,818	8,214	1,368,521

Note: Additions to non-current assets mainly include property, plant and equipment, quarry, investment properties, intangible assets and right-of-use assets.

Geographical Information

The Group's revenue by location of customers is principally derived from the PRC. The Group's non-current assets (property, plant and equipment, quarry, investment properties, goodwill, intangible assets, interest in joint ventures, interests in associates and right-of-use assets) are principally located in PRC.

Information about major customers

No customer contributed over 10% of the total sales of the Group for both years.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

7. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grant income (<i>note 42</i>)	84,609	48,967
Interest income on bank deposits	176,499	162,183
Interest income on note receivables	3,712	–
Sales of scrap materials	3,943	21,831
Transportation fee income	2,194	2,155
Rental income, net of outgoings (<i>note</i>)	3,066	2,330
Interest income on advance to a joint venture	235	786
	274,258	238,252

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB1,861,000 (2019: RMB1,425,000).

8. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Exchange loss, net	(7,019)	(10,082)
Loss on disposal/write-off of property, plant and equipment	(35,230)	(11,420)
Gain on disposal of right-of-use assets (<i>Note 22</i>)	13,066	–
Gain (loss) on fair value change on investment properties (<i>note 17</i>)	2,180	(7,310)
Recovery of bad debts previously written off	–	5,510
	(27,003)	(23,302)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	129,398	264,696
Interest on lease liabilities	6,536	3,025
	135,934	267,721

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
– PRC enterprise income tax (“EIT”)	852,178	1,015,384
Withholding tax paid (note 32)	125,928	79,659
Underprovision in prior years in respect of PRC EIT	9,974	2,776
Deferred tax (note 32)	(51,728)	22,165
	936,352	1,119,984

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2019: ranged from 15% to 25%).

Pursuant to “The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy” (State Administration of Taxation Caishui [2011] no. 58), Sichuan Yadong Cement Co., Ltd. (“Sichuan Yadong”), Sichuan Lanfeng Cement Co., Ltd. (“Sichuan Lanfeng”) and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2019: 15%) in 2020.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10. INCOME TAX EXPENSE (continued)

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in the Cayman Islands or any other jurisdiction.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	3,686,761	4,350,080
Tax at the PRC EIT rate of 25% (2019: 25%)	921,690	1,087,520
Tax effect of expenses not deductible for tax purposes	33,074	58,570
Tax effect of different tax rates of subsidiaries	5,171	3,065
Tax effect of share of profits of joint ventures	(2,549)	(2,394)
Tax effect of share of losses of associates	1,535	1,209
Effect of tax concessions granted to PRC subsidiaries	(132,097)	(134,446)
Underprovision in prior years	9,974	2,776
Tax effect of tax losses not recognised	419	160
Utilisation of tax losses previously not recognised	(4,207)	(8,716)
Deferred tax on undistributed earnings of PRC subsidiaries	(22,586)	32,581
Withholding tax paid	125,928	79,659
Income tax expense for the year	936,352	1,119,984

Tax rate of 25% is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for both years.

Details of movements in deferred tax have been set out in note 32.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment (<i>note 15</i>)	794,323	784,281
– Quarry (<i>note 16</i>)	71,087	285,359
– Intangible assets (<i>note 19</i>)	1,708	1,362
– Right-of-use assets (<i>note 22</i>)	38,943	35,301
Total depreciation and amortisation	906,061	1,106,303
Less: Capitalised in inventories	(664,740)	(787,789)
	241,321	318,514
Staff costs, including directors' remuneration (<i>note 12(a)</i>)		
Salaries and other benefits	543,917	570,748
Retirement benefits scheme contributions (<i>Note</i>)	4,446	28,810
Total staff costs	548,363	599,558
Less: Capitalised in inventories	(388,842)	(429,470)
	159,521	170,088
Auditors' remuneration	5,420	5,564
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB1,427,000 (2019: RMB5,456,000))	6,304,971	7,289,590

Note: For the year ended 31 December 2020, COVID-19-related government assistance amounted to RMB25,520,000 in relation to concession on retirement benefits scheme contributions granted by the relevant PRC Government Authorities, have been offset against the staff costs for the year.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive are as follows:

Year ended 31 December 2020

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Chief executive and executive director					
Dr. Wu Chung-lih	225	1,692	–	–	1,917
Executive directors					
Mr. Hsu, Shu-ping	213	–	–	–	213
Mr. Chang, Tsai-hsiung	213	–	–	–	213
Mr. Chang, Chen-kuen	213	1,265	–	–	1,478
Mr. Lin, Seng-chang	213	974	–	–	1,187
Ms. Wu Ling-ling	225	–	–	–	225
Non-executive director					
Mr. Hsu, Shu-tong	267	138	–	–	405
Independent Non-executive directors					
Mr. Tsim, Tak-lung Dominic	267	–	–	–	267
Mr. Wang Wei	267	–	–	–	267
Mr. Lee Kao-chao	267	–	–	–	267
Dr. Wang Kuo-ming	267	–	–	–	267
	2,637	4,069	–	–	6,706



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Year ended 31 December 2019

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Chief executive and executive director					
Dr. Wu Chung-lih	273	1,574	–	–	1,847
Executive directors					
Mr. Hsu, Shu-ping	214	–	–	–	214
Mr. Chang, Tsai-hsiung	211	–	–	–	211
Ms. Wu Ling-ling	272	–	–	–	272
Mr. Chang, Chen-kuen	260	1,147	–	–	1,407
Mr. Lin, Seng-chang	260	1,066	–	–	1,326
Ms. Wu Ling-ling	272	–	–	–	272
Non-executive director					
Mr. Hsu, Shu-tong	264	138	–	–	402
Independent Non- executive directors					
Mr. Tsim, Tak-lung Dominic	264	–	–	–	264
Mr. Wang Wei	264	–	–	–	264
Mr. Lee Kao-chao	264	–	–	–	264
Dr. Wang Kuo-ming	264	–	–	–	264
	2,810	3,925	–	–	6,735



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

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

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

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

Mr. Wu, Chung-lih is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2019: three directors), details of whose remuneration are set out in note (a) above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	2,797	2,765

Their emoluments were within the following bands:

	2020	2019
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	2

No emoluments were paid by the Group to the directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year.



Notes to the Consolidated Financial Statements

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13. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year: 2019 Final, paid – RMB50 cents (2019: 2018 Final, paid – RMB62 cents) per share	783,426	971,448

A final dividend for the year ended 31 December 2020 of RMB51.1 cents per share (2019: RMB50 cents per share) amounting to approximately RMB800,661,000 (2019: RMB783,426,000) has been proposed by the directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	2,668,708	3,147,340
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,566,851	1,566,851

No diluted earnings per share is presented as the Company did not have any dilutive shares in issue during both years.



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For the year ended 31 December 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trucks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2019	4,220,660	11,964,646	362,122	327,394	531	53,317	16,928,670
Additions	968	7,927	3,386	6,578	-	262,251	281,110
Disposals/write-off	(11,557)	(89,472)	(19,170)	(27,372)	-	-	(147,571)
Transfer	69,176	156,699	15,209	24,044	-	(265,128)	-
At 31 December 2019	4,279,247	12,039,800	361,547	330,644	531	50,440	17,062,209
Additions	826	2,063	3,625	2,918	-	339,439	348,871
Disposals/write-off	(31,058)	(148,622)	(15,201)	(39,403)	-	-	(234,284)
Transfer	78,494	179,830	27,982	20,209	-	(306,515)	-
At 31 December 2020	4,327,509	12,073,071	377,953	314,368	531	83,364	17,176,796
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	1,123,497	6,726,564	289,943	190,402	231	-	8,330,637
Provided for the year	123,418	623,607	14,424	22,779	53	-	784,281
Eliminated on disposals/write-off	(5,265)	(81,397)	(17,326)	(25,893)	-	-	(129,881)
At 31 December 2019	1,241,650	7,268,774	287,041	187,288	284	-	8,985,037
Provided for the year	126,320	631,845	14,496	21,615	47	-	794,323
Eliminated on disposals/write-off	(20,778)	(120,789)	(13,758)	(33,819)	-	-	(189,144)
At 31 December 2020	1,347,192	7,779,830	287,779	175,084	331	-	9,590,216
CARRYING VALUES							
At 31 December 2020	2,980,317	4,293,241	90,174	139,284	200	83,364	7,586,580
At 31 December 2019	3,037,597	4,771,026	74,506	143,356	247	50,440	8,077,172

Buildings are located in the PRC on medium term leasehold land.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis with the following useful lives:

Buildings	Over the shorter of term of the relevant leases or 20–35 years
Plant and machinery	10–20 years
Furniture, fixtures and office equipment	5–15 years
Trucks, loaders and motor vehicles	5–15 years
Leasehold improvement	Over the shorter of term of the relevant leases or 5 years



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. QUARRY

	RMB'000
COST	
At 1 January 2019	290,328
Additions (<i>note 1</i>)	1,086,146
At 31 December 2019	1,376,474
Additions (<i>note 2</i>)	105,900
At 31 December 2020	1,482,374
AMORTISATION	
At 1 January 2019	126,354
Provided for the year	285,359
At 31 December 2019	411,713
Provided for the year	71,087
At 31 December 2020	482,800
CARRYING VALUES	
At 31 December 2020	999,574
At 31 December 2019	964,761

Quarry is amortised over the shorter of the estimated useful life or the period of excavation permit of the quarry. Quarry is amortised on a straight-line basis over 5 to 30 years.



Notes to the Consolidated Financial Statements

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16. QUARRY (continued)

Notes:

1. In 2019, in addition to the additions of quarry amounted to RMB11,115,000, the Group had recognised the provision of mine reserve funds amounting to RMB1,075,031,000 on the Group's quarry located in Jiangxi and Sichuan Provision, the PRC as follows:
 - (a) On 24 January 2018, the General Office of the Jiangxi Provincial Committee of the Communist Party of China (CPC) issued the implementation plan for the reform of the mining rights transfer system ("Implementation Plan") in Jiangxi Province, the PRC, which regulated the entity which owned mines to estimate the provision of mine reserve fund to be payable to the local government based on the calculation on the mine reserves as at 31 December 2019. In July 2019, Jiangxi Yadong finalised the independent valuer report with the local government on the mine reserves and agreed the amount of the provision of mine reserve fund amounting to RMB931,211,000 which was capitalised into the cost of quarry for amortisation over the remaining estimated useful life of the mine. During the year ended 31 December 2020, the Group partially settled the provision of mine reserve fund amounting to RMB631,487,000. For the year ended 31 December 2019, the entity was required to accrue the amount of RMB240,000,000 as cost of production of mine which represented the amount of mine excavated times the agreed amount of unit cost for the past years from 30 September 2006 to 31 December 2019 and such amount was charged to the cost of sales of the Group in that year.
 - (b) In 2019, the General Office of the CPC issued the implementation plan for the reform of the mining rights transfer system ("Implementation Plan 2") in Sichuan Province, the PRC, which regulated the entity which owned mines to estimate the provision of mine reserve fund to be payable to the local government based on the calculation on the mine reserves as at 31 December 2019. In December 2019, Sichuan Yadong finalised the independent valuer report with the local government on the mine reserves and agreed the amount of the provision of mine reserve fund amounting to RMB143,820,000 to be capitalised as the cost of quarry for amortisation over the remaining estimated useful life of the mine. During the year ended 31 December 2020, the Group settled this amount of provision of mine reserve fund. For the year ended 31 December 2019, the entity was required to accrue an amount of RMB35,076,000 as cost of production of mine which represented the amount of mine excavated times the agreed amount of unit cost for the past years from 1 July 2017 to 31 December 2019 and such amount was charged to the cost of sales of the Group in that year.
2. In 2020, in addition to the additions of quarry amounted to RMB232,000, the Group has recognised the provision of mine reserve funds on the Group's quarry located in Jiangxi Provision, the PRC. In April and May 2020, Jiangxi Yadong further finalised the independent valuer reports with the local government on the mine reserves of its remaining mines and agreed the amount of the provision of mine reserve fund amounting to RMB82,691,000 and RMB22,977,000 to be capitalised as the cost of quarry for amortisation over the remaining estimated useful life of the mine and the aggregate amount of RMB105,668,000 were fully settled by the Group as at 31 December 2020. For the year ended 31 December 2020, the entity was required to accrue the amount of RMB14,981,000 as cost of production of mine which represented the amount of mine excavated times the agreed amount of unit cost for the past years from 30 September 2006 to 31 December 2020 and such amount was charged to the cost of sales of the Group in the current year.

17. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2019	89,730
Decrease in fair value recognised in profit or loss	(7,310)
<hr/>	
At 31 December 2019	82,420
Additions (<i>note</i>)	38,647
increase in fair value recognised in profit or loss	2,180
<hr/>	
At 31 December 2020	123,247

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17. INVESTMENT PROPERTIES (continued)

Note: During the year ended 31 December 2020, the Group's PRC subsidiary obtained a property from their trade customers as full settlement of their trade balances and these properties were recognised as investment properties at their market value when the Group completed the property registration process.

The investment properties are held under medium-term leases in PRC and are rented out under operating leases.

The fair value of the Group's investment properties at 31 December 2020 have been arrived at on the basis of a valuation carried out on that date by Dehenham Tie Leung Real Estate Appraiser Office ("DTZ"), an independent qualified professional valuer not connected with the Group (2019: DTZ). DTZ are the members of the Taiwan Institute of Surveyors.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB15,871 (2019: RMB15,871) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB14,856 (2019: RMB13,902) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB19,310 (2019: RMB17,510) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB11,128 (2019: RMB12,533) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB20,582 (2019: RMB20,680) per square meter for the year ended 31 December 2020 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB10,610 (2019: RMB9,530) per square meter for the year ended 31 December 2020 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB12,348 (2019: RMB13,534) per square meter for the year ended 31 December 2020 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Wuhan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB17,657 (2019: RMB15,577) per square meter for the year ended 31 December 2020 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property unit located in Shanghai	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB136,180 (2019: nil) per square meter for the year ended 31 December 2020 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.

There were no transfers into or out of Level 3 during the year.



Notes to the Consolidated Financial Statements

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18. GOODWILL

	2020 RMB'000	2019 RMB'000
COST		
At 1 January and 31 December	693,000	693,000
IMPAIRMENT		
At 1 January and 31 December	(138,759)	(138,759)
CARRYING VALUES		
At 31 December	554,241	554,241

For the purpose of impairment testing, goodwill has been allocated to the Group's subsidiary which constitute a CGU. The carrying amount of goodwill allocated to the CGU is as follows:

	2020 RMB'000	2019 RMB'000
Sichuan Lanfeng	554,241	554,241

The recoverable amount of the CGU has been determined based on a value in use calculation.

The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2019: 5-year period) and discount rate of 10.6% per annum (2019: 10.6%). Zero growth rate is extrapolated for the cash flows of the CGU beyond the 5-year period (2019: zero growth rate). This growth rate is based on the cement industry growth forecasts.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and budgeted costs. Such estimation is based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2020, management of the Group determines that there is no impairment on the CGU. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of CGU's to exceed its recoverable amount.



Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2019	779	19,779	17,066	37,624
Additions	–	–	942	942
Disposals	–	–	(209)	(209)
At 31 December 2019	779	19,779	17,799	38,357
Additions	–	–	2,959	2,959
Disposals	–	–	(40)	(40)
At 31 December 2020	779	19,779	20,718	41,276
ACCUMULATED AMORTISATION				
At 1 January 2019	779	19,681	13,173	33,633
Provided for the year	–	98	1,264	1,362
Disposals	–	–	(209)	(209)
At 31 December 2019	779	19,779	14,228	34,786
Provided for the year	–	–	1,708	1,708
Disposals	–	–	(40)	(40)
At 31 December 2020	779	19,779	15,896	36,454
CARRYING VALUES				
At 31 December 2020	–	–	4,822	4,822
At 31 December 2019	–	–	3,571	3,571

The above items of intangible assets are amortised on a straight-line basis over the following period:

Backlog orders	1/2 year
Customer relationships	5 years
Software	5 years



Notes to the Consolidated Financial Statements

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20. INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Cost of unlisted investment in joint ventures	59,059	59,059
Share of post-acquisition profits and other comprehensive income, net of dividends received	34,051	30,027
Accumulated impairment losses	(32,595)	(32,595)
	60,515	56,491

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

Name of joint venture	Form of entity	Country of establishment/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2020	2019	2020	2019	
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	50%	50%	50%	50%	Provision of transportation services
湖北鑫龍源礦業有限公司 Hubei Xinlongyuan Mining Company Limited ("Hubei Xinlongyuan")	Sino-foreign equity joint venture	PRC	Paid up registered capital	40%	40%	40%	40%	Production and sales of limestone

Summarised financial information in respect of each of the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRS Standards.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Wuhan Asia

	2020 RMB'000	2019 RMB'000
Current assets	64,217	60,708
Non-current assets	50,289	53,091
Current liabilities	(18,004)	(19,758)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

20. INTERESTS IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	46,364	47,691
Current financial liabilities	16,915	18,831
Revenue	106,361	151,852
Profit and total comprehensive income for the year	7,029	10,969
Dividends received from the joint venture during the year	2,284	2,133
The above profit for the year include the following:		
Depreciation and amortisation	3,007	3,264
Interest income	446	367
Income tax expense	2,734	3,712

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

	2020 RMB'000	2019 RMB'000
Net assets of Wuhan Asia	96,502	94,041
Proportion of the Group's ownership interest in Wuhan Asia	50%	50%
Carrying amount of the Group's interest in Wuhan Asia	48,251	47,021



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For the year ended 31 December 2020

20. INTERESTS IN JOINT VENTURES (continued)

Hubei Xinlongyuan

	2020 RMB'000	2019 RMB'000
Current assets	14,023	18,820
Non-current assets	44,563	39,631
Current liabilities	(27,926)	(34,775)

The above amounts of assets and liabilities include the following:

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	424	6,751
Current financial liabilities (excluding trade and other payables and provisions)	–	(1,073)
Revenue	59,767	56,962
Profit and total comprehensive income for the year	16,704	10,236
Dividends received from the joint venture during the year	3,888	–

The above profit for the year include the following:

Depreciation and amortisation	7,257	5,906
Interest expense	211	825
Income tax expense	5,954	4,092



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20. INTERESTS IN JOINT VENTURES (continued)

Hubei Xinlongyuan (continued)

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

	2020 RMB'000	2019 RMB'000
Net assets of Hubei Xinlongyuan	30,660	23,676
Proportion of the Group's ownership interest in Hubei Xinlongyuan	40%	40%
Goodwill	32,595	32,595
Impairment losses	(32,595)	(32,595)
Carrying amount of the Group's interest in Hubei Xinlongyuan	12,264	9,470

21. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of unlisted investments in associates	726,190	726,190
Share of post-acquisition loss and other comprehensive expense	(8,165)	(1,068)
	718,025	725,122

Details of the Group's associates at the end of the reporting period are as follow:

Name of associates	Form of entity	Country of establishment/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2020	2019	2020	2019	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Sino-foreign equity joint venture	PRC	Paid up registered capital	40%	40%	40%	40%	Production and sales of concrete
遠鼎實業(上海)有限公司 Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	Sino-foreign equity joint venture	PRC	Paid up registered capital	40%	40%	40%	40%	Property development



Notes to the Consolidated Financial Statements

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21. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS Standards.

The associates are accounted for using the equity method in these consolidated financial statements.

Hubei Zhongjian

	2020 RMB'000	2019 RMB'000
Current assets	104,995	108,448
Non-current assets	647	1,242
Current liabilities	(53,889)	(63,491)
Revenue	87,934	149,466
Profit and total comprehensive income for the year	7,951	6,787
Dividends received from an associate during the year	959	800

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

	2020 RMB'000	2019 RMB'000
Net assets of Hubei Zhongjian	51,753	46,199
Proportion of the Group's ownership interest in Hubei Zhongjian	40%	40%
Carrying amount of the Group's interest in Hubei Zhongjian	20,701	18,480



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21. INTERESTS IN ASSOCIATES (continued)

Yuan Ding

On 18 February 2019, the Group invested an amount of RMB500,000,000 into Yuan Ding, which represented 40% equity interest of Yuan Ding. The Group is able to exercise significant influence over Yuan Ding because it has the power to appoint two out of the seven directors in Yuan Ding under the provisions stated in the articles of association of Yuan Ding. On 6 December 2019, the Group further injected an amount of RMB214,190,000 into Yuan Ding which were proportionate to each investor's equity interests in Yuan Ding. The equity interest of the Group in Yuan Ding remain unchanged as at 31 December 2020 and 2019.

	2020 RMB'000	2019 RMB'000
Current assets	364,549	443,855
Non-current assets	1,254,205	1,218,902
Current liabilities	(8,794)	(29,502)
Revenue	–	–
Loss and total comprehensive expense for the year	(23,295)	(18,868)
Dividends received from an associate for the year	–	–

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

	2020 RMB'000	2019 RMB'000
Net assets of Yuan Ding	1,609,960	1,633,255
Proportion of the Group's ownership interest in Yuan Ding	40%	40%
Goodwill	53,340	53,340
Carrying amount of the Group's interest in Yuan Ding	697,324	706,642



Notes to the Consolidated Financial Statements
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22. RIGHT-OF-USE ASSETS

	Ports RMB'000	Leased properties RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 31 December 2019				
Carrying amounts	115,660	3,324	700,698	819,682
As at 31 December 2020				
Carrying amounts	108,961	7,813	685,501	802,275
For the year ended 31 December 2020				
Depreciation charge	6,699	3,477	28,767	38,943
Expense relating to short-term leases and other leases with lease terms end within 12 months	–	1,693	–	1,693
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	–	3	–	3
Variable lease payments not included in the measurement of lease liabilities	3,343	13,102	–	16,445
Total cash outflow for leases	7,048	21,697	–	28,745
Additions to right-of-use assets	–	7,966	15,504	23,470
For the year ended 31 December 2019				
Depreciation charge	7,831	4,121	23,349	35,301
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	–	2,742	–	2,742
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	–	40	–	40
Variable lease payments not included in the measurement of lease liabilities	8,957	22,009	–	30,966
Total cash outflow for leases	7,254	37,918	–	45,172
Additions to right-of-use assets	–	323	–	323

During the year ended 31 December 2020, the Group disposed of a leasehold land to the local government at a consideration of RMB15,000,000 which resulted in a gain on disposal of a leasehold land amounting to RMB13,066,000 credited to profit or loss.

For both years, the Group leases various offices, ports and lands for its operations. Lease contracts are entered into for fixed term of 1 year to 33 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22. RIGHT-OF-USE ASSETS (continued)

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB59,399,000 (2019: RMB64,154,000) which the Group is in the process of obtaining.

The Group regularly entered into short-term leases for offices and dormitories. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 11.

In addition, lease liabilities of RMB104,435,000 are recognised with related right-of-use assets of RMB116,774,000 as at 31 December 2020 (2019: lease liabilities of RMB100,537,000 and related right-of-use assets of RMB118,984,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases of ports are either with only fixed lease payments or contain variable lease payments based on RMB6.5 to RMB9.0 per tonne (2019: RMB6.5 to RMB9.0 per tonne) of unloading and RMB1.5 per tonne (2019: RMB1.5 per tonne) of loading and minimum annual lease payment that are fixed over the lease term. Leases of truck leases only contain variable lease payments based on the actual usage. The payment terms are common in truck leases in PRC where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2020 and 2019.

For the year ended 31 December 2020

	Number of ports/ trucks	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Ports with variable lease payments	2	7,048	3,343	10,391
Trucks without fixed lease payments	7	–	13,102	13,102
	9	7,048	16,445	23,493

For the year ended 31 December 2019

	Number of ports/ trucks	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Ports with variable lease payments	2	7,254	8,957	16,211
Trucks without fixed lease payments	7	–	22,009	22,009
	9	7,254	30,966	38,220

The overall financial effect of using variable payment terms is that higher rental costs are incurred by ports with higher unloading and loading and trucks with higher usage. Variable rent expenses are expected to continue to represent a similar proportion of total rental cash outflow for leases in futures years.



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23. INVENTORIES

	2020 RMB'000	2019 RMB'000
Spare parts and ancillary materials	148,923	213,591
Raw materials	272,278	264,050
Work in progress	66,173	81,192
Finished goods	120,994	115,547
	608,368	674,380

24. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers	1,058,993	1,337,905
Less: Allowance for credit losses	(246,850)	(232,032)
	812,143	1,105,873
Bills receivable	1,280,901	2,369,794
Advances to suppliers	169,742	382,985
Deposits	14,127	16,136
Prepayments	24,265	3,118
Value-added tax recoverable	7,975	26,251
Other receivables	85,640	58,483
Allowance for credit losses on other receivables	(9,755)	-
	2,385,038	3,962,640

The Group has a policy of allowing a credit period of 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.



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24. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates:

	Cements		Concrete		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	380,431	387,161	134,215	175,349	514,646	562,510
91-180 days	102,681	126,584	83,137	143,371	185,818	269,955
181-365 days	854	3,985	65,618	140,137	66,472	144,122
Over 365 days	-	53,025	45,207	76,261	45,207	129,286
	483,966	570,755	328,177	535,118	812,143	1,105,873

The following is an aged analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers:

	Cements		Concrete		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	789,814	1,156,522	13,504	8,191	803,318	1,164,713
91-180 days	471,283	1,190,216	6,300	2,000	477,583	1,192,216
181-365 days	-	12,865	-	-	-	12,865
	1,261,097	2,359,603	19,804	10,191	1,280,901	2,369,794

As at 31 December 2020, total bills received amounting to RMB1,280,901,000 (2019: RMB2,369,794,000) and all bills received by the Group are with a maturity period of less than one year.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB45,878,000 (2019: RMB192,195,000) and RMB177,088,000 (2019: RMB126,525,000) for cement and concrete segment respectively, which are past due as at the reporting date. Out of the past due balances, approximately nil (2019: RMB53,025,000) and RMB45,207,000 (2019: RMB76,261,000) for cement and concrete segment respectively has been past due 90 days or more and is not considered as in default as the Group holds collateral over part of these balances in which the estimated value of collateral exceeds the overdue trade balances.

Details of impairment assessment of trade and other receivables are set out in note 41.



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25. AMOUNTS/LOANS WITH RELATED COMPANIES

(a) Amount due from an associate

	2020 RMB'000	2019 RMB'000
Hubei Zhongjian (trade related)	4,224	15,959

The amount was unsecured, non-interest bearing and aged within the credit term of 90 days.

(b) Amount due from a joint venture

	2020 RMB'000	2019 RMB'000
Hubei Xinlongyuan (non-trade related)	-	10,014

In 2019, the amount was unsecured, interest-bearing 4.47% per annum and repayable on demand. The amount was fully settled by the joint venture during the year ended 31 December 2020.

(c) Amounts due to joint ventures

	2020 RMB'000	2019 RMB'000
Wuhan Asia (trade related)	9,763	3,707
Hubei Xinlongyuan (trade related)	3,727	1,856
	13,490	5,563

The amounts were unsecured, non-interest bearing and aged within the credit term of 90 days.



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26. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances and cash include bank deposits with an original maturity of over three months but less than one year amounting to RMB810,000,000 (2019: RMB495,000,000) as at 31 December 2020 and the remaining balances of RMB4,465,608,000 (2019: RMB7,447,576,000) were bank balances and cash with an original maturity of three months or less. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 2.68% (2019: 0.01% to 2.68%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB3,782,157,000 (2019: RMB7,080,717,000) and approximately RMB1,493,441,000 (2019: RMB876,333,000), respectively.

As at 31 December 2019, the deposits in its own bank account amounting to RMB13,082,000 have been restricted by banks for withdrawal as overseas purchase security which are include in the restricted bank deposits and will be released within one year and therefore are classified as current assets.

The Group's bank balances and cash (2019: restricted bank deposits and bank balances and cash) that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
Denominated in United States dollars ("USD")	286,750	4,312,621
Denominated in Hong Kong dollars ("HKD")	2,848	1,772
Denominated in Singapore dollars ("SGD")	547	647

27. NOTE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Fixed-rate note receivables	2,401,163	–

Note Issuers	Subscription amounts	Equivalent to RMB	Fixed coupon rate	Maturity date
Marble Arch Industrial Limited	USD70,000,000	456,743,000	1.0%	From 9 October 2020 to 9 October 2021
Sino Horizon International Limited	USD70,000,000	456,743,000	1.0%	From 15 October 2020 to 15 October 2021
East Patron Limited	USD70,000,000	456,743,000	1.0%	From 6 November 2020 to 6 November 2021
Wynn Fortune Global Limited	USD79,000,000	515,467,000	1.0%	From 23 November 2020 to 23 November 2021
Prime Harbour Holdings Limited	USD79,000,000	515,467,000	1.0%	From 25 November 2020 to 25 November 2021



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27. NOTE RECEIVABLES (continued)

During the year ended 31 December 2020, the Company subscribed five USD denominated fixed-rate note receivables (“USD Notes”) issued by five independent private entities (the “Issuers”) through a security agent in Hong Kong, with an aggregate amount of US\$368,000,000 (equivalent to RMB2,401,163,000). These USD Notes carried interest at a fixed rate of 1.0% with maturity of one year. The interest receivable is to be received at the date of maturity. Therefore, these USD Notes are classified as current assets.

Each of the USD Note is secured on all the present and future undertaking and assets of the Issuers, which includes the debt securities held by each of the Issuers (the “Debt Securities”).

Each of the Debt Securities is secured by a floating charge over all the present and future interests and assets of a company (the “Transaction Counterparty”) and its business, however, no information is accessible by the Company to assess the underlying assets, existence and nature of any business operation or credit risk, associated with each Transaction Counterparty.

Asia Cement Corporation has provided a letter of support to support the outstanding principal and interest of the USD Notes when the Issuers are not able to repay or the underlying collaterals are insufficient to cover the outstanding balance of the USD Notes principal and interest at the maturity date.

28. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	281,512	412,453
Accruals	187,627	149,654
Mine reserve fund payable (Note 16)	299,724	1,075,031
Staff wages and welfare payable	134,608	141,970
Value added tax payable	104,741	156,025
Construction cost payable	41,435	68,839
Other taxes payable	22,446	21,224
Interest payable	1,765	6,883
Consideration payable for acquisition of a subsidiary in 2014	24,385	72,738
Other payables	105,927	69,306
	1,204,170	2,174,123

The following is an aged analysis of trade payables presented based on the invoice dates:

	2020 RMB'000	2019 RMB'000
0–90 days	264,584	375,252
91–180 days	1,907	15,900
181–365 days	5,541	10,911
Over 365 days	9,480	10,390
	281,512	412,453

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.



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29. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Receipt in advance for sales of cement products and related products	228,791	183,938
Receipt in advance for sales of concrete	519	1,587
	229,310	185,525

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of cement products and related products RMB'000	Sales of concrete RMB'000	Total RMB'000
For the year ended 31 December 2020			
Revenue recognised that was included in the contract liability balance at the beginning of the year	183,938	1,587	185,525
For the year ended 31 December 2019			
Revenue recognised that was included in the contract liability balance at the beginning of the year	130,027	6,328	136,355

Typical payment term which impact on the amount of contract liabilities recognised is as follows:

The Group enters into goods supply contracts with customers and receives advance payments from customers which are interest-free. When the Group receives a deposit before the delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits.



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30. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings – unsecured	2,972,159	6,214,309

The carrying amounts of the Group's bank borrowings are repayable:

	2020 RMB'000	2019 RMB'000
Within one year	872,988	4,770,215
Within a period of more than one year but not exceeding two years	2,099,171	1,444,094
	2,972,159	6,214,309
Less: Amounts due within one year shown under current liabilities	(872,988)	(4,770,215)
Amounts shown under non-current liabilities	2,099,171	1,444,094

The bank borrowings carrying variable interest rates with reference to LIBOR or TAIFX3 for USD borrowings (2019: LIBOR or TAIFX3 for USD borrowings) are as follows:

	2020		2019	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate RMB bank borrowings	310,000	2.98% to 3.30%	1,940,000	3.6% to 3.85%
Fixed-rate USD bank borrowings	2,564,285	0.91% to 1.05%	3,778,999	2.49% to 3.73%
Variable-rate USD bank borrowings	97,874	LIBOR plus margin of 0.8% or TAIFX3 plus margin of 0.6%	495,310	LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%
	2,972,159		6,214,309	



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30. BORROWINGS (continued)

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 1.63% to 4.00% (2019: 2.43% to 4.75%) per annum.

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
USD	2,662,159	4,274,309

31. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	6,007	4,512
Within a period of more than one year but not more than two years	6,946	2,947
Within a period of more than two years but not more than five years	9,884	8,952
Within a period of more than five years	81,598	84,126
	104,435	100,537
Less: Amount due for settlement with 12 months shown under current liabilities	(6,007)	(4,512)
Amount due for settlement after 12 months shown under non-current liabilities	98,428	96,025

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.90% (2019: from 4.35% to 4.90%).



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32. 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 presentation purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	110,571	82,222
Deferred tax liabilities	(47,176)	(70,555)
	63,395	11,667

The following are the major deferred tax liabilities and assets recognised and the movement thereon during the years:

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Allowance of expected credit losses of trade and other receivables RMB'000	Tax loss RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	(16,099)	(1,906)	45,527	6,413	(22,684)	22,581	33,832
Withholding tax paid	-	-	-	-	79,659	-	79,659
Credit (charge) to profit or loss	809	221	11,265	(6,413)	(112,240)	4,534	(101,824)
At 31 December 2019	(15,290)	(1,685)	56,792	-	(55,265)	27,115	11,667
Withholding tax paid	-	-	-	-	125,928	-	125,928
Reversal upon recovery of credit-impaired trade receivables	-	-	(4,267)	-	-	-	(4,267)
Credit (charge) to profit or loss	793	1,685	28,808	-	(103,342)	2,123	(69,933)
At 31 December 2020	(14,497)	-	81,333	-	(32,679)	29,238	63,395

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted at the end of the reporting period.

At 31 December 2020, the Group has unused tax losses of approximately RMB34,248,000 (2019: RMB61,228,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses RMB34,248,000 (2019: RMB61,228,000) due to the unpredictability of future profit stream.



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32. DEFERRED TAX (continued)

The unused tax losses will expire as follows:

	2020 RMB'000	2019 RMB'000
2020	–	15,041
2021	1,677	6,964
2022	11,568	12,054
2023	12,531	26,529
2024	3,928	640
2025	4,544	–
	34,248	61,228

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, deferred tax liability has been provided in respect of RMB653,580,000 (2019: RMB1,105,300,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associates and joint ventures in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2020, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, Wuhan Asia, Hubei Xinlongyuan and Hubei Zhongjian in respect of which deferred tax liability has not been provided for were approximately RMB11,106,734,000 (2019: RMB9,417,789,000), RMB52,260,000 (2019: RMB50,805,000), RMB13,885,000 (2019: RMB6,910,000) and RMB19,151,000 (2019: RMB14,258,000), respectively.

33. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2019	31,278
Provision for the year	5,456
At 31 December 2019	36,734
Provision for the year	11,416
Settlement for the year	(9,989)
At 31 December 2020	38,161

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. After taking into account the quantity of limestone excavated and the timing of environment restoration in between 2020 to 2047, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Addition in provision is recognised as cost of sales of the related limestone excavated and sold.



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34. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK\$0.1 each			
Authorised:			
At 1 January 2019, 31 December 2019, and 2020	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2019, 31 December 2019, and 2020	1,566,851,000	156,685	140,390

35. OPERATING LEASES

The Group as lessor

Gross rental income earned was RMB4,927,000 (2019: RMB3,755,000) for the year ended 31 December 2020. The Group leases its plant, property and machinery under operating lease arrangements. The leases typically run for an initial period of one to nine years (2019: one to nine years). None of the leases includes variable lease payments.

Undiscounted lease payments receivable on leases are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	1,295	1,075
In the second year	956	1,104
In the third year	728	718
In the fourth year	472	448
In the fifth year	420	420
After five years	630	1,050
	4,501	4,815



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36. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	38,457	36,138

37. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to a written resolution of all the shareholders on 13 December 2007, a share option scheme ("Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company. During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK\$26,202,000 (equivalent to approximately RMB23,549,000).

As at 31 December 2020 and 2019, no options remained outstanding under Pre-IPO Share Option Scheme.

(b) Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 27 April 2008 (the "Share Option Scheme"), the directors of the Company may invite management and employees to take up options at a price determined by the Board of Directors but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date.

As at 31 December 2020 and 2019, no options have been granted under the Share Option Scheme.

38. RETIREMENT BENEFITS SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense charged to profit or loss of approximately RMB4,446,000 (2019: approximately RMB28,810,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2020, contributions of RMB903,000 (2019: RMB5,597,000) as at 31 December 2020 have not been paid over to the schemes.



Notes to the Consolidated Financial Statements
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39. RELATED PARTY DISCLOSURES

Other than disclosed in elsewhere, the Group had also entered into the following significant transactions with related parties during the year.

	2020 RMB'000	2019 RMB'000
Joint ventures:		
Wuhan Asia		
– Transportation expenses	106,141	152,121
Hubei Xinlongyuan		
– Purchase of goods	24,939	23,055
– Interest income	237	786
Associate:		
Hubei Zhongjian		
– Sales of goods	14,185	32,231
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	–	14,990
– Administration expenses	–	6,207

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	6,706	6,735

The remuneration of directors and chief executives is determined by having regard to the performance of individuals and market trends.



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40. 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 throughout the relevant periods.

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 30, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure from time to time. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

41. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Amortised cost	9,849,924	11,517,202
Financial liabilities		
Amortised cost	3,897,451	8,088,316

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, note receivables, amount due from an associate, amount due from a joint venture, amounts due to joint ventures, borrowings, restricted bank deposits and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to foreign currency risk and interest rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Currency risk

Certain bank balances and cash (note 26), restricted bank deposits (note 26), and note receivables (note 27) and bank borrowings (note 30) of the Group are denominated in USD, HKD and SGD, being currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk.



Notes to the Consolidated Financial Statements
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41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Currency risk (continued)

The carrying amount of foreign currency denominated monetary assets and liabilities at the reporting dates is as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
USD	2,687,913	4,312,621	2,662,159	4,274,309
HKD	2,848	1,772	–	–
SGD	547	647	–	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2019: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthened 10% (2019: 10%) against the relevant currency. For a 10% (2019: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit post-tax and the balances below would be negative.

	Impact of USD		Impact of HKD		Impact of SGD	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit	(2,525)	(3,777)	(285)	(177)	(45)	(54)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (note 26), amount due from a joint venture (note 25) and note receivables (note 27). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 26), restricted bank deposits (note 26) and variable-rate bank borrowings (note 30). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the LIBOR or TAIFX3 (2019: LIBOR or TAIFX3) arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.



Notes to the Consolidated Financial Statements

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41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Interest rate risk (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	2020 RMB'000	2019 RMB'000
Interest income		
Financial assets at amortised cost	180,446	162,969

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost	129,398	264,696

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. 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 (2019: 50 basis points) increase or decrease in interest rate of variable-rate bank balances and a 50 basis points (2019: 50 basis points) increase or decrease in interest rate of variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances

If interest rate had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB5,970,000 (2019: RMB3,433,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Borrowings

If interest rate had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB489,000 (2019: RMB2,477,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

There has been no significant change to the Group's exposure to interest rate risks or manner in which it manages and measures.



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41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with (i) note receivables and (ii) certain trade receivables are mitigated because they are secured on the present and future undertaking and assets of the Issuers and properties in which the estimated fair value of the properties exceeds the carrying amounts of the related trade receivables respectively.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal 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. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group has applied the simplified approach in IFRS 9 to measure the credit loss allowance at lifetime ECL. Except for trade receivables that are credit-impaired are assessed individually, the Group determines the ECL on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of the Group's credit risk management, the Group uses debtors' ageing, repayment history and past due status to assess the impairment for its customers in relation to its operation 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.

Bills receivables

The credit risk on bills receivables is minimal since the settlement parties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other receivables

For other receivables (which mainly included advances to suppliers), the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there was no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020, the Group identified an advance payment to a supplier for material purchase amounting to RMB9,755,000 and the supplier was subsequently going through financial difficulty and therefore, such amount was fully credit-impaired at 31 December 2020.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

USD Notes

In order to minimise the credit risk, the management of the Group has obtained the information related to the legality, validity and enforceability of the USD Notes and, the ownership and background of the Issuers. In addition, the management of the Group considered that the USD Notes were secured on all the present and future undertaking and assets of the Issuers as explained in Note 27. Upon occurrence of events of default as specified in the USD Notes agreement, the Company has the right to enforce against the Issuers over the security to the USD Notes. As of the date of issuance of these consolidated financial statements, the Company is not aware of any events of default of the USD Notes. In this regard, the management believed that there was no significant increase in credit risk of these amounts since initial recognition and the expected credit loss was insignificant.

Amounts due from an associate and a joint venture

No allowances for credit losses was made to these balances since the Group consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

Restricted bank deposits/bank balances and cash

The credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle the amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed 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 difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposits/bank balances and cash (continued)

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

2020	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised cost					
Bank balances and cash	26	Note 1	12m ECL	5,275,608	5,275,608
Other receivables	24	Low risk	12m ECL	85,640	85,640
Bills receivables	24	Low risk	12m ECL	1,280,901	1,280,901
Trade receivables	24	Note 2	Lifetime ECL (provision matrix)	918,408	
		Loss	Lifetime ECL – credit-impaired	140,585	1,058,993
Other items					
Amount due from an associate	25	Low risk	12m ECL	4,224	4,224
Note receivables	27	Low risk	12m ECL	2,401,163	2,401,163



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposits/bank balances and cash (continued)

2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000	
Financial assets at amortised cost					
Restricted bank deposit and bank deposit and cash	26	Note 1	12m ECL	7,957,079	7,957,079
Other receivables	24	Low risk	12m ECL	58,483	58,483
Bills receivables	24	Low risk	12m ECL	2,369,794	2,369,794
Trade receivables	24	Note 2 Loss	Lifetime ECL Lifetime ECL – credit-impaired	1,054,963 282,942	1,337,905
Other items					
Amount due from an associate	25	Low risk	12m ECL	15,959	15,959
Amount due from a joint venture	25	Low risk	12m ECL	10,014	10,014

Notes:

1. The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.
2. For trade receivables, the Group applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on those items on a collective basis, grouped by past due status.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation 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 2020 and 2019 within lifetime ECL (not credit-impaired). Debtors that are credit-impaired with gross carrying amounts of approximately RMB140,585,000 as at 31 December 2020 (2019: RMB282,942,000) were assessed individually and it included trade balances of RMB78,534,000 (2019: RMB129,286,000) in which the Group holds collateral with an estimated value exceeding the overdue trade balances.

Gross carrying amount

	2020		2019	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
0–90 days	6%	488,880	2%	525,437
91–180 days	10%	198,621	6%	251,785
181–365 days	24%	86,797	15%	159,360
Over 365 days	69%	144,110	44%	118,381
		918,408		1,054,963

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, which included the Gross Domestic Product of the PRC and the industry sector index in the coming financial year, that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2020, the Group provided RMB168,675,000 (2019: RMB101,490,000) impairment allowance for trade receivables, based on the provision matrix. In addition, impairment allowance of RMB78,175,000 (2019: RMB130,542,000) was made on debtors which are having financial difficulty.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' aging (continued)

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 2019	78,405	110,012	188,417
Impairment loss recognised	23,085	21,973	45,058
Write-off	–	(1,443)	(1,443)
As at 31 December 2019	101,490	130,542	232,032
Impairment loss recognised	67,185	38,291	105,476
Write-off	–	(90,658)	(90,658)
As at 31 December 2020	168,675	78,175	246,850

As at 31 December 2020, the Group wrote off a trade receivable with the gross amount of RMB90,658,000 (2019: RMB1,443,000) when there was information indicating that the debtor is in liquidation.

The following tables show reconciliation of loss allowance that has been recognised for other receivables.

	Other receivables 12m ECL RMB'000
As at 1 January 2019 and 31 December 2019	–
Impairment loss recognised	9,755
As at 31 December 2020	9,755

The impairment loss of RMB9,755,000 (2019: Nil) was recognised on other receivables for the year ended 31 December 2020 which was attributable to the advance payment to a supplier for material purchase and the supplier was subsequently going through financial difficulty. The management of the Group considered that the amount of RMB9,755,000 was unrecoverable and fully impaired as at 31 December 2020.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. The weighted average interest rate for the variable-rate borrowings has been calculated using the interest rates prevailing at the end of each reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2020 RMB'000
2020							
Trade and other payables	-	911,802	-	-	-	911,802	911,802
Amounts due to joint ventures	-	13,490	-	-	-	13,490	13,490
Variable interest rate bank borrowings	1.03	249	760	98,614	-	99,623	97,874
Fixed interest rate bank borrowings	1.15	138,671	763,459	2,016,724	-	2,918,854	2,874,285
Lease liabilities	4.63	2,712	7,711	33,150	149,125	192,698	104,435
		1,066,924	771,930	2,148,488	149,125	4,136,467	4,001,886

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2019 RMB'000
2019							
Trade and other payables	-	1,868,444	-	-	-	1,868,444	1,868,444
Amounts due to joint ventures	-	5,563	-	-	-	5,563	5,563
Variable interest rate bank borrowings	3.30	4,080	12,241	501,158	-	517,479	495,310
Fixed interest rate bank borrowings	3.06	281,478	4,611,301	954,345	-	5,847,124	5,718,999
Lease liabilities	4.63	3,042	6,048	29,797	156,460	195,347	100,537
		2,162,607	4,629,590	1,485,300	156,460	8,433,957	8,188,853

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

42. GOVERNMENT GRANT INCOME

	2020 RMB'000	2019 RMB'000
Incentive subsidies (note a)	47,263	16,279
Value-added tax refund (note b)	22,243	27,936
Others (note c)	15,103	4,752
	84,609	48,967

Notes:

- a. Incentive subsidies were granted by the relevant PRC authorities to certain PRC subsidiaries of the Group for being the top ten taxpayers and the amount was based on 20% of Enterprise Income Tax paid. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval being obtained from the relevant PRC authorities.
- b. Certain PRC subsidiaries of the Group received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted quarterly when the total reusable materials consumed were more than 20% or 40% of the total materials consumed for production. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval being obtained from the relevant PRC authority.
- c. The amount includes certain incentives to attract foreign investment from the relevant PRC tax authorities in the form of profits tax refunds.

43. 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.

	Lease liabilities RMB'000 (note 31)	Borrowings RMB'000 (note 30)	Dividend payable RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2019	108,613	6,630,144	–	18,298	6,757,055
Interest expenses (note 9)	3,025	–	–	264,696	267,721
Dividend declared	–	–	1,029,448	–	1,029,448
Financing cash flow	(11,424)	(415,835)	(1,029,448)	(276,111)	(1,732,818)
New leases entered	323	–	–	–	323
At 31 December 2019	100,537	6,214,309	–	6,883	6,321,729
Interest expenses (note 9)	6,536	–	–	129,398	135,934
Dividend declared	–	–	862,175	–	862,175
Financing cash flow	(10,604)	(3,242,150)	(862,175)	(134,516)	(4,249,445)
New leases entered	7,966	–	–	–	7,966
At 31 December 2020	104,435	2,972,159	–	1,765	3,078,359



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

44. SUBSIDIARIES

(a) General Information of subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2020	2019	2020	2019	
*Perfect Industrial Holdings Pte., Ltd. ("Perfect Industrial")	British Virgin Islands	Ordinary	US\$9,719,535	100%	100%	100%	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US\$838,043,787	99.99%	99.99%	100%	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US\$288,846,900	99.99%	99.99%	100%	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd. ²	PRC	Ordinary	US\$15,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. ¹	PRC	Ordinary	US\$356,104,433	95%	95%	92%	92%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd. ²	PRC	Ordinary	US\$36,140,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd. ¹	PRC	Ordinary	RMB12,500,000	97.39%	97.39%	100%	100%	Provision of transportation services
亞東投資有限公司 Oriental Holding Co., Ltd. ²	PRC	Ordinary	US\$204,191,000	99.99%	99.99%	100%	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd. ¹	PRC	Ordinary	RMB60,000,000	94.99%	94.99%	100%	100%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd. ¹	PRC	Ordinary	RMB90,000,000	72.49%	72.49%	75%	75%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

44. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2020	2019	2020	2019	
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd. ²	PRC	Ordinary	US\$154,800,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd. ²	PRC	Ordinary	US\$368,340,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd. ²	PRC	Ordinary	US\$4,100,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd. ¹	PRC	Ordinary	US\$86,170,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd. ²	PRC	Ordinary	RMB13,000,000	99.99%	99.99%	100%	100%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd. ²	PRC	Ordinary	US\$3,500,000	99.99%	99.99%	100%	100%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd. ²	PRC	Ordinary	US\$35,530,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd. ²	PRC	Ordinary	US\$3,300,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

44. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2020	2019	2020	2019	
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd. ²	PRC	Ordinary	RMB60,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd. ³	PRC	Ordinary	RMB90,000,000	89.99%	89.99%	83%	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co., Ltd. ²	PRC	Ordinary	USD16,000,000	99.99%	99.99%	100%	100%	Sale and storage of cement product
四川蘭豐水泥有限公司 Sichuan Lanfeng Cement Co., Ltd. ²	PRC	Ordinary	RMB600,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川蘭豐建材有限公司 Sichuan Lanfeng ²	PRC	Ordinary	RMB20,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
瑞昌亞東新材料有限公司 Ruichang Yadong New Material Co., Ltd. ¹ ("Ruichang Yadong")	PRC	Ordinary	RMB2,000,000	99.99%	99.99%	100%	100%	Sale and storage of cement product

¹ These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.

² These companies were established in the PRC in the form of wholly foreign-owned enterprise.

³ This company was established in the PRC in the form of foreign-invested enterprise.

* This subsidiary is directly held by the Company and it held Oriental Industrial Holding Pte., Ltd. of 99.99% which indirectly held the remaining subsidiaries.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

44. SUBSIDIARIES (continued)

(b) 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 subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting right held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019	2020	2019
						RMB'000	RMB'000	RMB'000	RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. (note)	PRC	5%	5%	33%	33%	68,033	73,102	286,494	290,336
Individually immaterial subsidiaries with non-controlling interests						13,668	9,654	95,651	88,857
						81,701	82,756	382,145	379,193

Note: Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangxi Ya Dong Cement Corporation Ltd.

	2020 RMB'000	2019 RMB'000
Current assets	3,094,309	3,690,311
Non-current assets	3,747,863	3,124,340
Current liabilities	(1,090,270)	(986,694)
Non-current liabilities	(22,028)	(21,234)
Equity attributable to owners of the Company	5,443,380	5,516,387
Non-controlling interests	286,494	290,336
Revenue	4,509,273	5,206,562
Expenses	(2,589,721)	(3,089,512)
Profit for the year	1,360,663	1,462,050
Profit attributable to owners of the Company	1,292,630	1,388,948
Profit attributable to non-controlling interests	68,033	73,102
Dividends paid to non-controlling interests	71,875	53,031
Net cash inflow from operating activities	2,090,435	2,079,617
Net cash outflow from investing activities	(618,610)	(417,096)
Net cash outflow from financing activities	(1,437,835)	(1,202,880)
Net cash inflow	33,990	459,641



Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSET		
Unlisted investments in subsidiaries	8,231,182	8,231,182
CURRENT ASSETS		
Interest receivables	3,836	998
Note receivables	2,401,163	–
Bank balances and cash	284,301	4,321,214
	2,689,300	4,322,212
CURRENT LIABILITIES		
Bank borrowings – due within one year	872,988	4,770,215
Other payables	2,248	8,978
Loans from subsidiaries (<i>Note</i>)	1,256,087	1,151,461
	2,131,323	5,930,654
NET CURRENT ASSETS (LIABILITIES)	557,977	(1,608,442)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,789,159	6,622,740
NON-CURRENT LIABILITY		
Bank borrowings – due after one year	2,099,171	1,444,094
NET ASSETS	6,689,988	5,178,646
CAPITAL AND RESERVES		
Share capital (<i>note 34</i>)	140,390	140,390
Reserves	6,549,598	5,038,256
TOTAL EQUITY	6,689,988	5,178,646

Note: The loans from subsidiaries were unsecured, interest bearing at 2.77% and 3.58% (2019: 2.94% and 3.74%) per annum and repayable on demand.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000 (note)	Other reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2019	3,063,595	2,073,316	(333,979)	4,802,932
Profits for the year and total comprehensive income for the year	–	–	1,206,772	1,206,772
Dividends recognised as distribution (note 13)	(971,448)	–	–	(971,448)
At 31 December 2019	2,092,147	2,073,316	872,793	5,038,256
Profits for the year and total comprehensive income for the year	–	–	2,294,768	2,294,768
Dividends recognised as distribution (note 13)	(783,426)	–	–	(783,426)
At 31 December 2020	1,308,721	2,073,316	3,167,561	6,549,598

Note: In accordance with the Cayman Islands Companies Law, share premium is one of the Company's reserves available for distribution.



Financial Summary

RESULTS

	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	6,338,152	7,815,527	11,330,347	12,608,716	10,823,753
Profit before tax	330,322	984,830	3,383,150	4,350,080	3,686,761
Income tax expense	(179,364)	(348,627)	(882,360)	(1,119,984)	(936,352)
Profit for the year	150,958	636,203	2,500,790	3,230,096	2,750,409
Attributable to:					
Owners of the Company	133,562	602,377	2,420,839	3,147,340	2,668,708
Non-controlling interests	17,396	33,826	79,951	82,756	81,701
	150,958	636,203	2,500,790	3,230,096	2,750,409

ASSETS AND LIABILITIES

	At 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total assets	15,902,155	16,409,987	20,722,346	23,985,754	21,634,251
Total liabilities	6,267,007	6,199,603	8,280,000	9,342,760	5,103,023
	9,635,148	10,210,384	12,442,346	14,642,994	16,531,228
Equity attributable to:					
Owners of the Company	9,354,561	9,909,932	12,087,909	14,263,801	16,149,083
Non-controlling interests	280,587	300,452	354,437	379,193	382,145
	9,635,148	10,210,384	12,442,346	14,642,994	16,531,228