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西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

(於澤西註冊成立的有限公司，註冊編號94796)

(股份代號：2233)

(「本公司」)

於二零二八年到期本金總額400,000,000美元的9.90%優先票據

(股份代號：40018)

(「票據」)

刊發發售備忘錄

本公佈乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第37.39A條刊發。

請參閱本公佈所隨附日期為二零二五年十一月二十五日的發售備忘錄(「發售備忘錄」)，內容有關票據發行。發售備忘錄僅備有英文本。發售備忘錄並無刊發中文本。誠如發售備忘錄所披露，票據擬定僅供專業投資者(定義見上市規則第37章)(「專業投資者」)購買，並已按此基礎於聯交所上市。因此，本公司及附屬公司擔保人(定義見本公佈所附發售備忘錄)確認票據並不適合作為香港散戶投資者的投資。投資者應審慎考慮所涉及的風險。

謹通知香港投資者：本公司及附屬公司擔保人(定義見本公佈所附發售備忘錄)確認票據僅供專業投資者購買，並已按此基礎於聯交所上市。因此，本公司及附屬公司擔保人確認票據並不適合作為香港散戶投資者的投資。投資者應審慎考慮所涉及的風險。

發售備忘錄並不構成向任何司法權區的公眾人士提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦非邀請公眾人士提呈認購或購買任何證券的要約，此外亦非供傳閱以邀請公眾人士提呈認購或購買任何證券的要約。

發售備忘錄不應被視為認購或購買本公司任何證券的勸誘，亦不擬構成作出該等勸誘。

承董事會命
中國西部水泥有限公司
主席
張繼民

香港，二零二五年十二月五日

於本公佈日期，執行董事為張繼民先生、曹建順先生、王蕊女士及楚宇峰先生；非執行董事為馬朝陽先生、汪滿波先生及汪志新先生；及獨立非執行董事為李港衛先生、朱東先生、譚競正先生、馮濤先生及樓家強先生。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the “Offering Memorandum”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The following Offering Memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EU Prospectus Directive”). The following Offering Memorandum has been prepared on the basis that all offers of the securities described herein made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of securities described herein.

CONFIRMATION AND YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING MEMORANDUM, YOU MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED OFFERING MEMORANDUM ON THE BASIS THAT YOU HAVE CONFIRMED TO CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AND J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (COLLECTIVELY THE “INITIAL PURCHASERS”) AND WEST CHINA CEMENT LIMITED (THE “COMPANY”) THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S, IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY OF THE ATTACHED OFFERING MEMORANDUM BY ELECTRONIC TRANSMISSION.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (“EUWA”); or (ii) a customer within the meaning of the provisions of the UK’s Financial Services and Markets Act 2000, as amended (“FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this Offering Memorandum, electronically or otherwise, to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction. This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities (Asia Pacific) Limited as the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners, the Company or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**West China Cement Limited***(incorporated in Jersey with limited liability with registered number 94796)***US\$400,000,000 9.90% SENIOR NOTES DUE 2028****Issue Price per Note: 99.115%****plus, in each case, accrued interest, if any, from the issue date**

The 9.90% Senior Notes due 2028 (the “Notes”) will bear interest from December 4, 2025 at 9.90% per annum payable semi-annually in arrears on June 4 and December 4 of each year, beginning June 4, 2026. The Notes will mature on December 4, 2028.

The Notes are unsecured senior obligations of West China Cement Limited (the “Issuer” or the “Company”) guaranteed by WC Cement Limited, Faithful Alliance Limited, Yaobai International Holding Limited (formerly, known as West International Holding Limited), Great Lakes Cement SAS, Hong Xing Glass Congo SARL, WIH Rwanda Cement Co., Ltd. and Anjia Construction SARLU (the “Subsidiary Guarantors”) (such guarantees provided by the Subsidiary Guarantors, the “Subsidiary Guarantees”).

We may at our option redeem the Notes, in whole or in part, at any time on or after December 4, 2027, at a redemption price equal to 104.95% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to December 4, 2027, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 109.90% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to December 4, 2027, at a price equal to 100% of the principal amount of the applicable Notes plus a premium as set forth in this Offering Memorandum. We may also redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. At any time on or after the date when no more than 10% of the aggregate principal amount of the Notes originally issued on the Original Issue Date (as defined herein) remains outstanding, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes will (1) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law), (3) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein), and (4) be effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors to the extent of the value of the collateral securing such obligations. However, applicable law may limit the enforceability of the Subsidiary Guarantees. See “Risk Factors — Risks Relating to the Subsidiary Guarantees”. For a more detailed description of the Notes, see “Description of the Notes” beginning on page 151.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 13.

Application will be made to The Stock Exchange of Hong Kong Limited (the “HKEX”) for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“Professional Investors”) only. This document is for distribution to Professional Investors only.

The HKEX has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the HKEX is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company and the Subsidiary Guarantors or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKEX take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong investors: Each of the Company and Subsidiary Guarantors confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKEX on that basis. Accordingly, each of the Company and Subsidiary Guarantors confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This Offering Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the Group. The Company and the Subsidiary Guarantors accept full responsibility for the accuracy of the information contained in this Offering Memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Notes are expected to be rated “B” by Standard & Poor’s Rating Services (“S&P”) and “B” by Fitch Ratings Ltd. (“Fitch”). The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P or Fitch. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debt of Enterprises (National Development and Reform Commission Order No. 56) (企業中長期外債審核登記管理辦法(中華人民共和國國家發展和改革委員會令56號)) (the “NDRC Circular 56”), promulgated by National Development and Reform Commission (the “NDRC”) of the PRC on January 5, 2023, coming into effect on February 10, 2023, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on November 17, 2025 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities law. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions” beginning on page 216.

The Notes will be represented by one or more global notes (the “Global Notes”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about December 4, 2025, with, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Notes, individual certificates for Notes will not be issued in exchange for interests in the Global Notes.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**China International Capital
Corporation****HSBC****J.P.Morgan**

The date of this Offering Memorandum is November 25, 2025

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This Offering Memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS (OR ITS AFFILIATES), AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the UK’s Financial Services and Markets Act 2000, as amended (“FSMA”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Lead Managers, are “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (“Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their

Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMI's). A rebate may be offered by the Company to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMI's otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. If a prospective investor is an asset management arm affiliated with any Joint Lead Manager and Joint Bookrunner, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager and Joint bookrunner or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMI's in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager and Joint Bookrunner, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager and Joint Bookrunner when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMI's (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and Joint Bookrunners and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Singapore Securities and Futures Act Product Classification — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes are expected to be rated "B" by S&P and "B" by Fitch. The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P or Fitch. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

This Offering Memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this Offering Memorandum before making a decision whether to purchase the Notes. You must not use this Offering Memorandum for any other purpose or disclose any information in this Offering Memorandum to any other person.

We have prepared this Offering Memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" below.

No representation or warranty, express or implied, is made by the Initial Purchasers (as defined in the “Plan of Distribution”), The Hongkong and Shanghai Banking Corporation Limited (the “Trustee”), The Hongkong and Shanghai Banking Corporation Limited (the “Principal Paying and Transfer Agent” and the “Registrar”, collectively, the “Agents”) or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this Offering Memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Agents, or any person affiliated with the Initial Purchasers, or the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes or the Subsidiary Guarantees (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers, or the Trustee or the Agents.

The Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes (including the Subsidiary Guarantees) in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Memorandum and the offering of the Notes (including the Subsidiary Guarantees) may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes (including the Subsidiary Guarantees) and distribution of this Offering Memorandum, see the sections headed “Transfer Restrictions” and “Plan of Distribution” below.

This Offering Memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Initial Purchasers or our or their respective directors, officers or advisors are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment, tax or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

The Jersey Financial Services Commission (the “Commission”) has given, and has not withdrawn, or will have given prior to the issue of the Notes and not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. It must be distinctly understood that in giving this consent, the Commission take no responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed with regard to it. This Offering Memorandum has been prepared on the basis that it is not a “prospectus” for the purposes of the Company (Jersey) Law 1991. This Offering Memorandum has not been delivered to the Jersey Registrar of Companies, nor has the Jersey Registrar of Companies consented to its circulation, in each case for the purposes of the Companies (General Provisions)(Jersey) Order 2002.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

This Offering Memorandum is not an offer to sell, or a solicitation or invitation to make offers to purchase or otherwise acquire the Notes or any other securities or investment business services in the British Virgin Islands (the “BVI”). This Offering Memorandum may not be sent or distributed to persons in the BVI, and the Notes are not available to, and no invitation or offer to purchase or otherwise acquire the Notes will be made to, persons in the BVI. However, the Notes may be offered and sold to business companies incorporated in the BVI pursuant to the BVI Business Companies Act, 2004 (as amended), international limited partnerships formed in the BVI pursuant to the Limited Partnership Act, 1996 (as amended) and limited partnerships formed in the BVI pursuant to the Limited Partnership Act, 2017 (as amended) provided that any such offering and sale is made outside the BVI or is otherwise permitted by BVI legislation.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “Company”, the “Group” and words of similar import, we are referring to West China Cement Limited itself, or to West China Cement Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this Offering Memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or their respective directors and advisors, and neither us, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

The information and statistics set forth in this Offering Memorandum relating to the PRC and the cement industry in the PRC were taken or derived from various government and private publications. The Initial Purchasers and we do not make any representation as to the accuracy of such information and statistics, which may not be consistent with other information or statistics compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the information and statistics herein may be inaccurate and should not be unduly relied upon.

Our financial information is prepared and presented in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”), which differ in certain respects from generally accepted accounting principals (“GAAP”) in certain countries, including the United States, which might be material to the financial information herein. We have made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS Accounting Standards and GAAP and how those differences might affect the financial information herein.

In this Offering Memorandum, all “average selling prices” are provided exclusive of any taxes payable.

In this Offering Memorandum, references to “(EXP)” or “(prelim)”, in the context of a corporate credit rating, indicate that the rating is preliminary or provisional and subject to final documentation and execution.

In this Offering Memorandum, references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); and references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China, or the PRC.

We record and publish our financial information in Renminbi. Unless otherwise stated in this Offering Memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.1636 to US\$1.00, the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2025, as set forth in the H.10 weekly statistical release of the Federal Reserve Board. All translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.8499 to US\$1.00, the noon buying rate in New York City for cable transfers payable as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2025, as set forth in the H.10 weekly statistical release of the Federal Reserve Board. All such translations in this Offering Memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or *vice versa*, at any particular rate or at all.

References to the “PRC” and “China” are to the People’s Republic of China and for the purposes of this Offering Memorandum and do not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan.

“**PRC government**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof

“**Andijan Cement**” means Andijan WCC Cement, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Uzbekistan

“**Anjia Construction**” means Anjia Construction SARLU, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Democratic Republic of Congo

“**Anjia Holding**” means Anjia Holding Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Mauritius

“**Ankang Yaobai**” means Ankang Yaobai Cement Co., Ltd. (安康市堯柏水泥有限公司)

“**Ankang Yaobai Jianghua**” means Ankang Yaobai Jianghua Cement Co., Ltd. (安康堯柏江華水泥有限公司)

“**Dugongo**” means Mozambique Dugongo Cimentos, S.A, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Mozambique

“**Faithful Alliance**” means Faithful Alliance Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong

“**Fuping**” means Fuping Cement Co., Ltd. (陝西富平水泥有限公司)

“**Grand Winner Holding**” means Grand Winner Holding Limited, a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands

“**Great Lakes Cement**” means Great Lakes Cement SAS, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Democratic Republic of Congo

“**Guangxin International**” means Guangxin International Financial Leasing Co., Ltd. (光信國際融資租賃有限公司)

“**Guizhou Linshan**” means Guizhou Linshan Cement Co., Ltd. (貴州麟山水泥有限責任公司)

“**Hancheng Yaobai**” means Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. (韓城堯柏陽山莊水泥有限公司)

“**Hanzhong Yaobai**” means Hanzhong Yaobai Cement Co., Ltd. (漢中堯柏水泥有限公司)

“**Hong Xing Glass**” means Hong Xing Glass Congo SARL, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Republic of Congo

“**Lantian Yaobai**” means Xi'an Lantian Yaobai Cement Co., Ltd. (西安藍田堯柏水泥有限公司)

“**Lemi National Cement**” means Lemi National Cement PLC, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Ethiopia

“**Longqiao Yaobai**” means Shangluo Yaobai Longqiao Cement Co., Ltd. (商洛堯柏龍橋水泥有限公司)

“**Mianxian Yaobai**” means Hanzhong Mianxian Yaobai Cement Co., Ltd. (漢中勉縣堯柏水泥有限公司)

“**National Cement**” means National Cement Share Company, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Ethiopia

“**Pucheng Yaobai**” means Pucheng Yaobai Special Cement Co., Ltd. (蒲城堯柏特種水泥有限公司)

“**Rwanda Cement**” means WIH Rwanda Cement Co., Ltd, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Rwanda

“**SAMR**” means the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)

“**Shaanxi Yaobai**” means Yaobai Special Cement Group Co., Ltd. (堯柏特種水泥集團有限公司)

“**Shangluo Yaobai Longqiao**” means Shangluo Yaobai Longqiao Cement Co., Ltd. (商洛堯柏龍橋水泥有限公司)

“**Shifeng Cement**” means Shaanxi Shifeng Cement Co., Ltd. (陝西實豐水泥股份有限公司)

“**Shaanxi Fuda**” means Shaanxi Fuda Mining Engineering Co., Ltd. (陝西富達礦山工程有限公司)

“**Shaanxi Fengsheng**” means Shaanxi Fengsheng Deyuan Shiye Co., Ltd. (陝西豐盛德遠實業有限公司)

“**Shaanxi Xinyida**” means Shaanxi Xinyida Jiancai Construction Materials Development Co., Ltd. (陝西新意達建材產業發展有限公司)

“**SLN Benguela**” means SLN Fabrica Cimento Clinker Benguela, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Angola

“**Tanzania Cement**” means WIH Tanzania Cement Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Tanzania

“**Tongchuan Yaobai**” means Tongchuan Yaobai Special Cement Co., Ltd. (銅川堯柏特種水泥有限公司)

“**Tongchuan Yaowangshan**” means Tongchuan Yaowangshan Ecology Cement Co., Ltd. (銅川藥王山生態水泥有限公司)

“**Weinan Yaobai**” means Weinan Pucheng Yaobai Cement Co., Ltd. (渭南蒲城堯柏水泥有限公司)

“**West China BVI**” means WC Cement Limited, a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands with company number 1039765

“**West International Material**” means West International New Building Material Pte. Ltd., an indirect wholly-owned subsidiary of the Company incorporated under the laws of Singapore

“**WIH Cement Developing**” means WIH Cement Developing Co., Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Mauritius

“**WIH Cement Uganda**” means WIH Cement Uganda — SMC Limited, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Uganda

“**WIH Mideast Investment**” means WIH Mideast Investment FZE, an indirect wholly-owned subsidiary of the Company incorporated under the laws of United Arab Emirates

“**WIH Morholdco Investment**” means WIH Morholdco Investment Holdings Limited, an indirect non wholly-owned subsidiary of the Company incorporated under the laws of Mauritius

“**Xi'an Yaobai**” means Xi'an Yaobai Material Co., Ltd. (西安市堯柏物資有限公司)

“**Xiushan Yaobai**” means Xiushan Yaobai Cement Co., Ltd. (商洛堯柏秀山水泥有限公司)

“**Xixiang Yaobai**” means Xixiang Yaobai Cement Co., Ltd. (漢中西鄉堯柏水泥有限公司)

“**Yaobai Environmental**” means Xi'an Yaobai Environmental Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)

“**Yaobai Group**” refers to our PRC-incorporated subsidiaries directly or indirectly owned by Shaanxi Yaobai

“**Yaobai International**” means Yaobai International Holding Limited, a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong (堯柏國際控股有限公司)

In this Offering Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes “forward-looking statements.” All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “plan”, “could”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business strategies, objectives and plan of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- the regulatory environment of our industry in general;
- capital market developments;
- actions and developments of our competitors;
- changes in political, economic, legal and social conditions in China or other jurisdictions in which we have operations;
- availability and costs of bank borrowings and other forms of lending;
- future developments, trends and conditions in our industry in China or other jurisdictions in which we have operations; and
- other statements in this Offering Memorandum that are not historical facts.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Offering Memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this Offering Memorandum. We undertake no obligation to update or revise any forward-looking statements contained in this Offering Memorandum, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Memorandum might not occur.

ENFORCEMENT OF CIVIL LIABILITIES

We are a company incorporated in Jersey with limited liability, and each Subsidiary Guarantor is also incorporated outside the United States. Jersey has a different body of securities laws from the United States and protections for investors may differ.

All of our assets and the assets of the Subsidiary Guarantors are located outside the United States. In addition, most of our directors and officers and the Subsidiary Guarantors' directors and officers are nationals or residents of countries other than the United States (principally in the PRC), and a substantial portion of such persons' assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or other such persons or to enforce against us or any of the Subsidiary Guarantors or other such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us or the Subsidiary Guarantors in any New York state or U.S. federal court in The City of New York and County of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby.

The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- (a) the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- (b) the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt or definite sum of money (although there are circumstances where non-money judgments may also be recognized);
- (c) the recognition or enforcement of the U.S. judgment not contravening Jersey public policy;
- (d) the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- (e) the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- (f) the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice or rights under the European Convention on Human Rights; and
- (g) there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, there can be no assurance that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

We have been advised by our British Virgin Islands legal counsel, Carey Olsen LLP, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in any U.S. federal or New York state court located in the borough of Manhattan, City of New York against the Company under which a sum of money is payable (other than a sum of money payable in respect of penalties, taxes, fines or similar fiscal or revenue obligations) and would give a judgment based thereon that in respect of the foreign judgment: (a) such courts had proper jurisdiction over the parties subject to such judgment and the judgment debtor either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the recognition or enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules) according to Hong Kong rules;
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 Laws of Hong Kong).

Further, we have been advised by our PRC legal advisor, Beijing Jincheng Tongda, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor or its directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor or its directors or officers predicated upon the U.S. federal or state securities laws.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms and definitions used in this Offering Memorandum in connection with our Company and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“annual production capacity”	annual production capacity of cement, which is calculated based on three shifts per day and 310 working days per annum
“average selling price”	average selling price of a category or categories of cement products is calculated by dividing the revenue of such category or categories of cement product by its or their sales volume, which is exclusive of Value Added Tax (“VAT”)
“CAGR”	compound annual growth rate
“cement”	gray powder, made by calcining lime and clay, which hardens when mixed with water and is generally used in producing mortar and concrete
“cement products”	the various cement products, which include high-grade cement, low-grade cement and clinker
“clinker”	a major semi-finished product in the cement production process
“cm”	centimeter(s)
“Composite Portland Cement”	a mixture comprising Portland Cement and up to 35% of other single constituents
“concrete”	an artificial, stone-like material used for various structural purposes, made by mixing cement and various aggregates, such as sand, pebbles, gravel or shale, with water and allowing the mixture to harden
“Distributed Control System”	a control system, in which the controller elements are not central in location, but are distributed throughout the system
“FAI”	fixed asset investment
“flyash”	one of the residues generated in the combustion of coal
“GDP”	gross domestic product
“gypsum”	a mineral composed of calcium sulphate dihydrate
“GWh”	gigawatt-hour, a unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one billion watts for one hour
“high-grade cement”	a category of cement that generally has a 28-day compressive strength of 42.5 MPa (or 425 kg/cm ²) or above
“km”	kilometer(s)
“KW”	kilowatts, one thousand watts

“KWh”	kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts for one hour
“limestone”	a sedimentary rock composed largely of the mineral calcite
“low-grade cement”	a category of cement that generally has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm ²) or below
“MPa”	megapascals, a customary unit in the International System of Units for measuring compressive strength
“MTN Notes”	a note payable that comes with a maturity date that is within five to ten years.
“New Dry Process”	new suspension preheater dry process, during which the raw materials of cement are preheated and disintegrated before being fed into a rotary kiln
“NSP” or “NSP technology”	new Suspension Preheater technology, a highly energy efficient technology, in which raw materials are preheated in conical vessels using high temperature gas from the kiln
“Ordinary Portland Cement”	a mixture comprising Portland Cement and up to 5% of minor additional constituents
“Portland Cement”	a fine powder produced by grinding Portland cement clinker (more than 90%), a limited amount of calcium sulfate which controls the set time, and up to 5% minor constituents (as allowed by various standards)
“Pozzolanic Portland Cement”	blended cement which is produced by either inter-grinding of OPC clinker along with gypsum and pozzolanic materials in certain proportions or grinding the OPC clinker, gypsum and Pozzolanic materials separately and thoroughly blending them in certain proportions.
“RDI”	real estate development investment
“ready-mix concrete”	a type of concrete that is specifically manufactured for delivery to construction sites in a freshly mixed and plastic or unhardened state
“ton(s)”	metric tons
“t/d”	tons per day

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire Offering Memorandum, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are one of the leading cement producers in Shaanxi Province, the PRC, with a leading market position in Southern Shaanxi and Eastern-Central Shaanxi as well as presence in Guizhou and Sichuan Provinces. Since 2020 we have also been expanding overseas and now have a growing presence in Sub-Saharan Africa and Central Asia, with production capacity in Ethiopia, Mozambique, the Democratic Republic of Congo (the “DRC”), Rwanda, Tanzania and Uzbekistan. We are also constructing a production facility in Uganda. In China, our cement is principally sold under the trademarks “尧柏” (Yao Bai) and “尧柏水泥” (Yaobaishuini) among others, and is primarily used in the construction of infrastructure projects such as highways, bridges, railways and roads, as well as residential buildings, hydroelectric power stations, water conservancy and water transfer projects. In our overseas markets, our cement is sold under the trademarks “National Cement” in Ethiopia, “GLC” in the DRC, “CHEETAH” in Rwanda, “DUGONGO” in Mozambique, “QILIN Cement” in Tanzania, “YAOBAI CEMENT” in Uganda and “WEST” in Uzbekistan. Our ordinary shares have been listed on The Stock Exchange of Hong Kong Limited since August 2010.

Our cement products primarily include Ordinary Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above and Composite Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above. Ordinary Portland Cement has relatively strong initial compressive strength and more resistance to abrasion and is typically used in construction projects, such as roads and bridges. Composite Portland Cement has a lower compressive strength than Ordinary Portland Cement and is commonly used for general industrial and civil buildings. We also produce high quality and special cement products such as Pozzolan Portland Cement, masonry cement and oil well cement tailored to our customers’ needs.

We have recently embarked on a significant restructuring of our assets as we continue to pursue growth in new overseas markets. In January and May of 2025, we announced our agreements to acquire (the “CILU Acquisition”) an aggregate of 98.77% equity interest in Cimenterie de Lukala SA (“CILU”) that owns and operates an integrated cement plant in Lukala, which is near Kinshasa, the capital city of the DRC. This acquisition is currently expected to close by the end of 2025. In August 2025, we completed the disposal of our entire operations in Xinjiang Province, comprising four plants totaling 3.5 million tons of cement production capacity.

Since 2020, we have expanded our production into overseas markets in Sub-Saharan Africa and Central Asia, supplying its cement products to infrastructure, urban and rural development markets in these continents. We have built a significant presence in the Ethiopia cement market, have one of only two operational clinker plants in Mozambique (with another plant under construction in the north of the country) and have built the largest clinker and cement operation in the Great Lakes region of the DRC, Rwanda and western Tanzania, as well as a production facility in Uzbekistan. Following the completion of the CILU Acquisition, we will extend our market coverage into the west of the DRC, becoming the largest producer in the DRC. We also aim to complete the construction of our cement and grinding capacity in Uganda in the first half of 2026. This market is a natural geographical extension of the Great Lakes region and we believe this new capacity will help us to strengthen our position as one of Sub-Saharan and East Africa’s major cement producers.

As of June 30, 2025, we had a total annual cement production capacity in China of 28.5 million tons, comprising 17 cement production lines, with 21.7 million tons in Shaanxi Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province and 3.5 million tons in Xinjiang (which was disposed of in August 2025). In our overseas markets, we had a total annual cement production capacity (including grinding capacity) of 13.6 million tons, comprising 7 production lines, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique and 1.5 million tons in the DRC, as well as 1 million tons of cement grinding capacity in Rwanda and another 300,000 tons of grinding capacity in Tanzania. Subject to completion of the CILU Acquisition and additional capital expenditure investment and implementation of technical modifications, it is expected that CILU will have a designed total annual production capacity of 1.2 million tons, and our total annual cement

production capacity outside of the PRC is expected to increase to 14.8 million tons. In addition, we have a further 4.5 million tons of cement production capacity currently under construction in Mozambique and Uganda.

In recent years, we have supplied cement to a number of key infrastructure projects, including Yunan-Yulin-Eerduosi High-Speed Railway, the Huaneng Power — Coal Transportation Railway, the Huyi to Zhouzhi to Meizian Expressway, the Provincial Highway 209, the G210 Reconstruction and Expansion (Linton to East Third Ring Road), the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II and Phase III), the Beijing to Kunming Expressway, the West 10 High Speed Railway and the Lanzhou-Hanzhong-Shiyan High Speed Railway. Our large projects, such as Xi'an to Shiyan High-Speed Railway has consumed over 840,000 tons of cement in 2024 and 350,000 tons of cement in the first half of 2025 and Xi'an to Ankang to Chongqing High-Speed Railway has consumed 465,000 tons of cement in the first half of 2025.

Our operations in China have continued to be affected by a relatively subdued construction market due to low levels of infrastructure and real estate demand growth. We experienced a downward trend in the average selling prices in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang Provinces in 2023 and 2024 but due to supply side discipline with peak-shifting production halts and increased environmental controls in limiting excessive oversupply, we had some modest improvements in average selling prices in China in the six months ended June 30, 2025 compared to the same period in 2024. We have also continued to implement efficiency enhancements and cost-control measures, and maintained costs at relatively stable levels in recent years. On the other hand, our operations in the newer overseas markets have experienced significant growth. Cement has been in undersupply in many of these markets, and our new capacity since 2020, either acquired and upgraded or constructed, has met increasing cement and clinker demand for primarily construction purposes. Our sales volumes in Mozambique, the DRC and Ethiopia have increased significantly since 2020 and their greater margin contribution has resulted in healthy overall margins for us. In the first half of 2025, while our overseas cement and clinker sales volumes amounted to 38.5% of our total sales volumes, our overseas markets accounted for approximately 43% of our total revenue and 57% of our gross profit.

We are committed to working towards the highest industry standards with regard to the environment and emission controls. All of our production facilities, in China and overseas, are modern plants employing NSP technology. The plants are situated in close proximity to their respective limestone quarries and, where necessary, limestone conveyor belts have been constructed in order to minimize transportation emissions. We also use desulfurized gypsum and construction waste as raw material inputs in some of our cement products. Fly ash from power plants and slag from iron and steel plants are also recycled as inputs into some of our cement products. Residual heat recovery systems have been installed at 11 out of 17 of our production lines in China. These systems reduce the electricity consumption at each line by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production. In 2024, these systems generated 341 million kWh of power, saving 136,300 tons of coal consumption and reducing carbon dioxide emissions by 339,800 tons. These measures have resulted in significant emission reductions. Since 2021, we have reduced our total NOx emissions from close to 7,000 tons to 4,000 tons, our sulphur dioxide emissions from 600 tons to under 300 tons and our PM emissions from 600 tons to close to 200 tons. Since 2022, energy consumption per ton of clinker produced has fallen from 916 kWh to 853 kWh and energy consumption per unit of revenue has fallen from 1.53 kWh/RMB to 1.29 kWh/RMB.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, we sold 19.3 million, 20.5 million and 20.0 million, 8.8 million and 10.8 million tons of cement and clinker, respectively. Our revenue increased from approximately RMB8,489.1 million for the year ended December 31, 2022 to approximately RMB9,020.9 million for the year ended December 31, 2023 and then decreased to approximately RMB8,344.9 million (US\$1,164.9 million) for the year ended December 31, 2024. Our revenue increased from approximately RMB3,701.8 million for the six months ended June 30, 2024 to approximately RMB5,418.3 million (US\$756.4 million) for the six months ended June 30, 2025. Our profit before tax decreased from approximately RMB1,513.3 million for the year ended December 31, 2022 to approximately RMB954.3 million for the year ended December 31, 2023 and increased to approximately RMB1,090.2 million (US\$152.2 million) for the year ended December 31, 2024. Our profit before tax increased from approximately RMB648.5 million for the six months ended June 30, 2024 to approximately RMB1,063.8 million (US\$148.5 million) for the six months ended June 30, 2025. Our profit for the year attributable to owners of the Company decreased from approximately RMB1,214.7 million for the year ended December 31, 2022 to approximately RMB421.3 million for the year ended December 31, 2023 and increased to approximately RMB626.2 million

(US\$87.4 million) for the year ended December 31, 2024. Our profit for the period attributable to owners of the Company increased from approximately RMB386.9 million for the six months ended June 30, 2024 to approximately RMB748.3 million (US\$104.5 million) for the six months ended June 30, 2025.

Our Strengths

We believe that the following competitive strengths distinguish us from our competitors and will continue to contribute to our success in the future:

- Over the past 20 years, we have built a strong cement production asset in Shaanxi Province in China where we are the leading cement producer;
- We have focused our efforts and growth on expansion into the faster growing cement markets of Sub-Saharan Africa and Central Asia;
- We have a highly experienced management team with a strong track record of developing and managing cement production assets;
- Our modern cement plants minimize emissions to levels suitable to the markets they operate in and we continue to develop our environmental expertise and emissions standards; and
- Our financial performance is stable with strong growth momentum overseas and we efficiently deploy capital to fund our growth.

Our Business Strategies

Our core market strategy since our early period of development in Shaanxi province has been to focus on the key factors required to build a sustainable cement business: limestone and market. Limestone is the key raw material for clinker and cement production and transportation and distance to market is a key cost factor for a bulky product. Our management team's key strategy is to identify and acquire high quality limestone resources that are well placed to provide our capacity with a transportation, market and sales advantage, and attempt to dominate supply in this core market.

In addition to our core market strategy, we plan to pursue the following strategies:

- Maintaining our Shaanxi Province core market asset; and
- Replicate our core market strategy and benefit from growth in our new overseas markets.

Concurrent Tender Offer

Concurrently with the launch of the offering of the Notes, we launched an offer to purchase for cash up to a certain maximum acceptance amount of the outstanding 4.95% Senior Notes due 2026 (the "2026 Notes") that we issued under the indenture dated as of July 8, 2021 (the "Concurrent Tender Offer"), subject to the terms and conditions included in the Offer to Purchase dated November 18, 2025 (as it may be amended or supplemented from time to time). We intend to finance the Concurrent Tender Offer with the proceeds from the offering of the Notes, and the Concurrent Tender Offer is conditioned upon the completion of the offering of the Notes on terms satisfactory to us. We also plan to redeem any 2026 Notes that remain outstanding after the completion of the Concurrent Tender Offer. No assurances can be given that we will in fact complete the Concurrent Tender Offer.

General Information

Our Company was incorporated in Jersey as a private company on October 16, 2006 and reregistered as a public company on October 27, 2006. The authorized share capital of the Company is £20,000,000 divided into 10,000,000,000 shares of £0.002. Our registered office is located at 13 Castle Street, St. Helier, Jersey JE1 1ES, Channel Islands. Our principal place of business and headquarters in China is located at Yaobai R&D Training Center, No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, People's Republic of China. Our principal place of business in Hong Kong is Unit 3705, 37/F, Tower 6, The Gateway, Harbor City, 9 Canton Road, Tsim Sha Tsui, Hong Kong. The shares of the Company are listed on the HKEX (Stock Code: 02233).

Our website is www.westchinacement.com. Information contained on our website does not constitute a part of this Offering Memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this Offering Memorandum. For a more detailed description of the Notes, see “Description of the Notes”. The information contained in the “Description of the Notes” shall prevail to the extent of any inconsistency with the information set forth in this section. Capitalized terms not defined herein are defined in “Description of the Notes”.

Issuer	West China Cement Limited
Notes Offered.	US\$400,000,000 aggregate principal amount of 9.90% Senior Notes Due 2028 (the “Notes”).
Offering Price	99.115% of the principal amount of the Notes
Issue Date	December 4, 2025.
Maturity Date.	December 4, 2028. Unless previously redeemed or repurchased as provided in the Indenture, the Company will redeem or repay the Notes at their principal amount on the Maturity Date.
Interest	The Notes will bear interest from and including December 4, 2025 at the rate of 9.90% per annum, payable semi-annually in arrears.
Interest Payment Dates	June 4 and December 4 of each year, commencing June 4, 2026.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “Description of the Notes — The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees”; • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and • effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors to the extent of the value of the collateral securing such obligations.
Subsidiary Guarantees	Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances. See “Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees”.

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of WC Cement Limited, Faithful Alliance Limited, Yaobai International Holding Limited (formerly, West International Holding Limited), Great Lakes Cement SAS, Hong Xing Glass Congo SARL, WIH Rwanda Cement Co., Ltd. and Anjia Construction SARLU.

A non-PRC Restricted Subsidiary does not have to provide a Subsidiary Guarantee if (i) such non-PRC Restricted Subsidiary has no less than 10% of its capital stock owned by one or more Independent Third Parties and (ii) the Company could not, upon using commercially reasonable efforts (which will not involve any payment of any consideration), obtain the agreement or support from such Independent Third Parties for the giving of a Subsidiary Guarantee by such non-PRC Restricted Subsidiary.

The Company will cause each of its future Restricted Subsidiaries (other than the PRC Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Excluded Subsidiaries), within 90 days of becoming a Restricted Subsidiary, to Guarantee the payment of the Notes as a Subsidiary Guarantor. Notwithstanding of the foregoing, the Company may designate any Offshore Restricted Subsidiary (including those Offshore Restricted Subsidiaries not providing Subsidiary Guarantees on the Original Issue Date, but excluding any Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary) as a Designated Offshore Non-Guarantor Subsidiary; provided that, after giving effect to the consolidated assets of such Offshore Restricted Subsidiary, (i) at any time of determination, the total Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (excluding for this purpose the consolidated assets of all Exempted Subsidiaries and Excluded Subsidiaries as of the date of calculation); and (ii) such designation would not cause a Default. If, at any time, the Relevant Non-Guaranteed Portion exceeds 15% of Total Assets (calculated as provided above), the Company must remove the designation of one or more Designated Offshore Non-Guarantor Subsidiaries and cause such Offshore Restricted Subsidiaries to provide a Subsidiary Guarantee such that the Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (calculated as provided above).

Ranking of Subsidiary Guarantees.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to all secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for all unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Use of proceeds The Company intends to use the gross proceeds from this offering, together with cash on hand, for repurchasing, redeeming or repaying its existing indebtedness (including the 2026 Notes pursuant to the Concurrent Tender Offer or through redemptions) and for working capital (including current liabilities) purposes.

Optional Redemption. The Company at its option at any time on or after December 4, 2027 may redeem the Notes, in whole or in part, at a redemption price of 104.95% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to December 4, 2027, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth herein.

At any time and from time to time prior to December 4, 2027 the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 109.90% of the principal amount of the Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

At any time on or after the date when no more than 10% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Repurchase of Notes Upon a Change of Control Triggering Event Upon the occurrence of a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.

Withholding Taxes;
Additional Amounts. All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Relevant Jurisdiction, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, Holders will receive additional amounts (subject to certain exceptions) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “Description of the Notes — Additional Amounts”.

Redemption for Taxation Reason	Subject to certain exceptions and as more fully described in the section entitled “Description of the Notes — Redemption for Taxation Reasons,” the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption, if the Company, a Surviving Person or a Subsidiary Guarantor would be obligated to pay certain Additional Amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons”.
Covenants	The Notes and the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company’s ability, and the ability of its Restricted Subsidiaries to, among other things: ● incur or guarantee certain additional Indebtedness and issue Preferred Stock; ● declare dividends on its capital stock or purchase or redeem capital stock; ● make investments or other specified Restricted Payments; ● issue or sell capital stock of Restricted Subsidiaries; ● guarantee indebtedness of the Company or Restricted Subsidiaries; ● enter into transactions with shareholders or affiliates; ● create liens; ● enter into sale and leaseback transactions; and ● sell assets. These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants”.
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions”.
Form, Denomination and Registration . .	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Euroclear and Clearstream will credit the account of each of its participants with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.

Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about December 4, 2025, which will be the sixth business day following the pricing date of the Notes referred to as “T+6”. You should note that initial trading of the Notes may be affected by the T+6 settlement. See “Plan of Distribution”.	
Trustee	The Hongkong and Shanghai Banking Corporation Limited	
Principal Paying and Transfer Agent . . .	The Hongkong and Shanghai Banking Corporation Limited	
Registrar	The Hongkong and Shanghai Banking Corporation Limited	
Lock-up	During a period of 30 days from the Original Issue Date, the Company and each of the Subsidiary Guarantors will not, without obtaining the prior written consent of the representatives of the Initial Purchasers, offer, sell, contract to sell, or otherwise dispose of, any debt securities, including debt securities linked to, convertible to or exchangeable with equity securities, issued or guaranteed by the Company or the Subsidiary Guarantors (other than the Notes and the Subsidiary Guarantees).	
Listing	Application will be made to the HKEX for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. The Notes will be required to have a denomination of at least HK\$500,000 for so long as the Notes are listed on the HKEX.	
Clearing System and Settlement	The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.	
Security Codes	<u>ISIN</u>	<u>Common Code</u>
	XS3219577148	321957714
Ratings	The Notes are expected to be rated “B” by S&P and “B” by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Company.	
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.	
Risk Factors	For a discussion of certain factors that you should consider in evaluating an investment in the Notes, see “Risk Factors”.	

SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial information for the years ended December 31, 2022, 2023 and 2024 has been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. Our consolidated financial statements for the years ended December 31, 2022, 2023 and 2024 have been prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). The following summary consolidated financial information for the six months ended June 30, 2024 and 2025 has been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this Offering Memorandum. Our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2024 and 2025 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the IASB.

Summary Consolidated Statements of Profit or Loss and Comprehensive Income

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(US\$'000) (Unaudited)
Revenue	8,489,135	9,020,901	8,344,946	1,164,910	3,701,812	5,418,323	756,369
Cost of sales	(6,307,305)	(6,560,882)	(6,371,161)	(889,380)	(2,728,580)	(3,791,314)	(529,247)
Gross profit	2,181,830	2,460,019	1,973,785	275,530	973,232	1,627,009	227,122
Other income ⁽¹⁾	451,912	142,719	148,065	20,669	61,677	53,088	7,411
Selling and marketing expenses	(75,197)	(132,386)	(131,782)	(18,396)	(86,583)	(162,132)	(22,633)
Administrative expenses	(604,845)	(796,404)	(702,267)	(98,033)	(318,435)	(354,315)	(49,460)
Other expenses	(64,937)	(200,429)	(101,700)	(14,197)	(36,223)	(49,178)	(6,865)
Other gains and losses, net	(52,454)	(277,668)	182,484	25,474	183,140	140,636	19,632
Impairment losses under expected credit loss mode, net of reversal	(68,885)	(18,489)	(54,903)	(7,664)	(51,759)	57,047	7,963
Share of results of an associate and a joint venture	(6,407)	(3,403)	2,137	298	1,550	(56)	(8)
Interest income	168,898	88,189	69,046	9,638	24,631	24,010	3,352
Finance costs	(416,616)	(307,839)	(294,683)	(41,136)	(102,713)	(272,266)	(38,007)
Profit before tax	1,513,299	954,309	1,090,182	152,183	648,517	1,063,843	148,507
Income tax expense	(169,184)	(268,608)	(262,327)	(36,619)	(153,382)	(168,701)	(23,550)
Profit for the year/period	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Other comprehensive (expense) income for the year/period							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences on translation of foreign operations	(35,713)	(61,369)	(1,147,913)	(160,242)	25,649	(204,842)	(28,595)
Total comprehensive income (expense) for the year/period	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Profit for the year/period attributable to:							
Owners of the Company	1,214,746	421,278	626,181	87,411	386,882	748,262	104,453
Non-controlling interests	129,369	264,423	201,674	28,153	108,253	146,880	20,504
	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Total comprehensive income (expense) attributable to:							
Owners of the Company	1,190,988	369,701	(75,170)	(10,493)	404,999	637,677	89,016
Non-controlling interests	117,414	254,631	(244,888)	(34,185)	115,785	52,623	7,346
	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Earnings per share							
Basic (RMB/share)⁽²⁾	0.224	0.077	0.115	0.016	0.071	0.137	0.019
Diluted (RMB/share)⁽³⁾	0.224	0.077	0.115	0.016	0.071	0.137	0.019
Other Financial Data							
EBITDA⁽⁴⁾	3,082,742	2,768,684	2,522,375	352,110	1,274,361	1,950,867	272,331
EBITDA margin⁽⁵⁾	36.3%	30.7%	30.2%	30.2%	34.4%	36.0%	36.0%
EBITDA/Gross interest expense⁽⁶⁾	6.36	4.86	4.22	4.22	4.62	6.72	6.72
Total Debt⁽⁷⁾/EBITDA or annualized EBITDA⁽¹⁰⁾	3.09	3.86	4.58	4.58	4.61	3.00	3.00
Net Debt⁽⁸⁾/EBITDA or annualized EBITDA⁽¹⁰⁾	2.43	3.09	3.58	3.58	3.49	2.53	2.53
Total Debt⁽⁷⁾/Total Capitalization⁽⁹⁾	42.0%	43.0%	46.0%	46.0%	44.0%	45.0%	45.0%

Notes:

- (1) Our other income primarily includes (i) VAT refunds we received from the PRC government for sales of certain types of cement that use industrial by-products, industrial waste and construction waste and (ii) government grants.
- (2) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year/period.
- (3) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The calculation of our Company's diluted earnings per share for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 did not take into account the share options of our Company because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of our Company's shares during these years/periods and hence the exercise of the share options would have an anti-dilutive effect.
- (4) EBITDA is equal to profit before tax plus finance costs, depreciation and amortization, loss on derecognition of a subsidiary, impairment losses in respect of goodwill, impairment losses under expected credit loss model, net of reversal and net foreign exchange gains (losses), gain in acquisition/disposal of subsidiaries, gain on modification of other long-term payables, interest income and hyperinflation restatement. EBITDA is not a standard measure under IFRS Accounting Standards. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit and total comprehensive income attributable to owners of the Company or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, net finance costs, net foreign exchange losses from consolidated statement of cash flows, share-based payments or depreciation and amortization. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenue and profit and total comprehensive income attributable to owners of the Company and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA herein because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (5) EBITDA margin is calculated by dividing EBITDA by revenue.
- (6) Gross interest expense includes interest expense capitalized in property, plant and equipment and excludes unwinding of discount on asset retirement obligations. Gross interest expense is not a standard measure under IFRS Accounting Standards. Gross interest expense presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our gross interest expense to the gross interest expense provided by other companies because not all companies use the same definition. Investors should also note that the gross interest expense presented herein is calculated differently from Consolidated Interest Expense as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated Interest Expense is defined for purposes of the Indenture governing the Notes.
- (7) Total debt includes bank borrowings, medium-term notes and senior notes.
- (8) Net debt equals to total debt less cash and cash equivalents and restricted and pledged bank deposits.
- (9) Total capitalization equals total debt plus total equity.
- (10) Annualized EBITDA applies to the period for the six months ended June 30, 2024 and 2025 and is calculated by multiples by 2 using the EBITDA of the respective periods.

Summary Consolidated Statements of Financial Position Information

	As of December 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
	(Unaudited)					
ASSETS						
Non-current assets						
Property, plant and equipment	18,195,355	20,809,466	23,183,932	3,236,352	22,396,789	3,126,471
Investment properties	47,059	47,059	94,358	13,172	94,358	13,172
Right-of-use assets	827,334	833,809	758,758	105,919	731,966	102,179
Mining rights	1,528,031	1,728,434	1,734,848	242,175	1,539,844	214,954
Other intangible assets	543,560	430,705	358,579	50,056	299,925	41,868
Interest in a joint venture	3,403	—	—	—	—	—
Interest in an associate	—	8,000	10,137	1,415	10,081	1,407
Equity investments at fair value						
through profit or loss (“FVTPL”).	92,593	37,128	36,217	5,056	46,099	6,435
Loan receivables	401,847	396,109	134,687	18,802	172,908	24,137
Deferred tax assets	190,639	165,980	131,498	18,356	125,332	17,496
Prepayments for right-of-use assets . .	38,511	26,600	34,087	4,758	33,379	4,660
Prepayments for mining rights	9,500	9,500	9,500	1,326	9,500	1,326
Deposits paid for acquisition of						
property, plant and equipment and						
mining rights	858,013	395,357	329,048	45,933	269,257	37,587
Other deposits	18,472	134,637	134,147	18,726	120,583	16,833
Amount due from a joint venture . . .	634,827	—	—	—	—	—
Pledged/restricted bank deposits . . .	—	70,000	107,801	15,048	131,628	18,375
	23,389,144	25,092,784	27,057,597	3,777,095	25,981,649	3,626,900
Current assets						
Inventories	1,488,858	1,398,662	1,860,157	259,668	1,686,136	235,376
Properties under development	—	944,082	1,276,265	178,160	574,273	80,165
Properties for sale	—	—	—	—	150,673	21,033
Trade and other receivables and						
prepayments	2,990,695	3,175,323	3,388,534	473,021	3,876,644	541,159
Loan receivables	324,654	241,668	273,713	38,209	138,364	19,315
Pledged/restricted bank deposits . . .	621,627	1,127,669	1,276,519	178,195	834,704	116,520
Cash and cash equivalents	1,424,275	922,662	1,157,136	161,530	854,479	119,281
	6,850,109	7,810,066	9,232,324	1,288,783	8,115,273	1,132,849
Assets classified as held for sale . . .	—	—	—	—	1,689,062	235,784
	6,850,109	7,810,066	9,232,324	1,288,783	9,804,335	1,368,633
Total assets	30,239,253	32,902,850	36,289,921	5,065,878	35,785,984	4,995,533

	As of December 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
					(Unaudited)	
EQUITY AND LIABILITIES						
Current liabilities						
Borrowings	3,156,533	3,632,813	3,917,111	546,808	3,939,498	549,933
Medium-term notes	714,431	—	—	—	—	—
Trade and other payables	4,877,402	5,125,429	7,501,250	1,047,134	6,546,686	913,882
Dividend payables.	88,410	129,415	60,370	8,427	236,052	32,952
Contract liabilities.	453,687	721,709	1,249,554	174,431	518,123	72,327
Deferred income.	3,527	4,850	5,491	767	5,491	767
Income tax payable	181,006	195,439	58,911	8,224	92,164	12,866
	9,474,996	9,809,655	12,792,687	1,785,791	11,338,014	1,582,727
Liabilities directly associated with assets classified as held for sale . .	—	—	—	—	160,903	22,461
	9,474,996	9,809,655	12,792,687	1,785,791	11,498,917	1,605,188
Non-current liabilities						
Borrowings	1,457,917	2,719,404	3,172,381	442,847	3,367,459	470,079
Asset retirement obligations	335,693	358,178	390,795	54,553	393,799	54,972
Deferred tax liabilities	459,456	409,578	511,040	71,338	503,322	70,261
Deferred income.	28,254	20,804	15,437	2,155	12,202	1,703
Senior notes	4,204,158	4,324,193	4,469,815	623,962	4,397,466	613,863
Other long-term payables	887,028	1,093,088	1,121,281	156,525	1,281,464	178,885
	7,372,506	8,925,245	9,680,749	1,351,380	9,955,712	1,389,763
Total liabilities	16,847,502	18,734,900	22,473,436	3,137,171	21,454,629	2,994,951
Net current liabilities.	(2,624,887)	(1,999,589)	(3,560,363)	(497,008)	(1,694,582)	(236,555)
Total assets less current liabilities .	20,764,257	23,093,195	23,497,234	3,280,087	24,287,067	3,390,345
Capital and reserves						
Share capital	141,837	141,837	142,261	19,859	142,261	19,859
Share premium and reserves	11,889,516	12,141,608	12,125,916	1,692,713	12,578,245	1,755,855
Equity attributable to owners						
of the Company	12,031,353	12,283,445	12,268,177	1,712,572	12,720,506	1,775,714
Non-controlling interests.	1,360,398	1,884,505	1,548,308	216,135	1,610,849	224,866
Total equity	13,391,751	14,167,950	13,816,485	1,928,707	14,331,355	2,000,580
Total equity and liabilities	30,239,253	32,902,850	36,289,921	5,065,878	35,785,984	4,995,533

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully read and consider the risks and uncertainties described below and other information contained in this Offering Memorandum before investing in the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their severity or significance. This Offering Memorandum also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in this Offering Memorandum. See “Forward-looking statements” for further information.

RISKS RELATING TO OUR BUSINESS

Our business depends significantly on the level of activity and growth in the construction industry in the regions where we operate, particularly in Shaanxi Province and certain overseas markets.

Demand for our products is directly related to the level of activity in the construction industry, which includes construction of infrastructure projects such as highways, bridges, railways and roads, as well as residential buildings, hydroelectric power stations, water conservancy and water transfer projects. As a result, the demand for our products is predominantly dependent on the level of activity and growth in the construction industry in the regions where we operate, namely, Shaanxi, Ethiopia, Uzbekistan, Mozambique and Democratic Republic of the Congo (the “DRC”), which in turn depends on factors such as general economic conditions, government policy, GDP growth, FAI, RDI, consumer confidence, inflation and demographic trends in those regions. We have historically derived a majority of our revenue from sales in Shaanxi Province. For the years ended December 31, 2022, 2023 and 2024, and six months ended June 30, 2025, we have derived 15%, 31%, 38% and 43%, respectively, of our revenue from sales in Ethiopia, Mozambique, the DRC and other overseas countries. As of June 30, 2025, we had a total annual cement production capacity in China of 28.5 million tons, with 21.7 million tons in Shaanxi Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province and 3.5 million tons in Xinjiang (which was disposed of in August 2025). In our overseas markets, we had a total annual cement production capacity (including grinding capacity) of 13.6 million tons, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique, 1.5 million tons in the DRC, as well as 1.0 million tons of grinding capacity in Rwanda and another 300,000 tons of grinding capacity in Tanzania.

Our presence in these geographical regions exposes us to risks associated with fluctuations in the political and economic conditions of Shaanxi Province, Ethiopia, Uzbekistan, Mozambique and the DRC. In 2024, the PRC’s economic recovery was relatively slow compared to 2023, primarily due to a weak global economic recovery, high inflation as well as a complex and challenging international environment. The slowdown in infrastructure investment coupled with a deterioration in property investment contributed to a decline in cement demand in the PRC. Under the current macroeconomic conditions in the PRC and Shaanxi Province, we do not expect any significant increase in cement demand in the PRC in the foreseeable future. While property development activity is likely to remain slow into the second half of 2025, the infrastructure market remains relatively active, especially in southern Shaanxi. We believe the growth of the construction industry in Shaanxi Province will continue to have a significant impact on our results of operations. Sub-Saharan Africa nations experienced some of the fastest GDP growth rates in the world, including 7.3% for Ethiopia in 2024, which is our largest overseas operations. Infrastructure development and urbanization in these markets have benefited from domestic and international growth policies, including the Chinese Government’s Belt and Road Initiative. For example, Uzbekistan has projected GDP growth of approximately 5% per annum until 2030. We believe the growth of the construction industry in Sub-Saharan Africa and Central Asia will continue to have a significant impact on our results of operations.

The growth of the economy and the construction industry has been the main driver of the growth of the cement industry in Shaanxi Province, Sub-Saharan Africa and Central Asia and the growth of our business. We, however, cannot assure you that the GDP, FAI, RDI or the demand for cement in Shaanxi Province, Ethiopia, Uzbekistan, Mozambique and the DRC will continue to grow at historical rates, or at

all. Any slowdown in the growth of economy or a downturn in the construction industry, particularly for infrastructure projects, in the regions where we operate, particularly in Shaanxi Province, Ethiopia, Uzbekistan, Mozambique and the DRC could affect the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects or change in policies could have a material adverse effect on our business, financial condition and results of operations.

Our products are commodities, which are subject to significant changes in supply and demand and price fluctuations.

Cement products are commodities and competition among manufacturers is based largely on price. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond our control. Increases in the production capacity of industry participants tend to create an oversupply leading to an imbalance between supply and demand, which can have a negative impact on product prices. In recent years, intense competition on the supply side in Shaanxi province in China led to increasing pressure on average selling prices in 2023 and 2024. The demand and supply as well as the average selling price in Sub-Saharan Africa and Central Asia regions where we operate are also affected by: (i) competition from other producers, leading to lower average selling prices for our products; (ii) fluctuations in foreign exchange rates which affect our profitability in our reporting currency, especially in Ethiopia; (iii) government policies, such as tariffs on our products that are imported into other countries which may affect our average selling price as well as the demand for our cements; and (iv) political instability and regional conflict, especially in the DRC, which has an important effect on the demand and supply of our products in these regions.

In, 2022, 2023 and 2024 and the first half of 2025, we recorded cement average selling prices at approximately RMB358 per ton, RMB360 per ton, RMB338 per ton and RMB359 per ton, respectively. There can be no assurance that prices will not continue to fluctuate in the future. Many factors could cause the prices to fluctuate, some of which are beyond our control, including the level of demand and supply in our primary markets, the nature and extent of governmental regulation, taxation and tariffs, foreign exchange rates, the number, strength and pricing policy of our competitors, the availability, proximity and capacity of transportation facilities, political instability and regional conflict and general economic conditions. Accordingly, the average selling prices of our products could continue to fluctuate or even decrease. Any substantial or prolonged fluctuation or decrease in the selling prices of our products may materially and adversely affect our liquidity, business, results of operations and financial condition.

Since 2018, the U.S. began to increase or impose tariffs on many products, particularly from China including, but not limited to steel and aluminum products, industrial chemicals and consumer electronics. In April 2025, U.S. President Donald J. Trump implemented the “Liberation Day” trade policy aimed at addressing trade imbalances between the U.S. and several other countries. This policy comprised a baseline 10% tariff to be applied to imports from all countries not subject to other sanctions and additional country-specific reciprocal tariffs for countries with which the U.S. had the greatest trade deficits. The United States has recently implemented significant changes to its trade policy, including renegotiating or terminating existing trade agreements and threatening and/or imposing new or additional tariffs. We cannot predict future trade policy and regulations in the United States and other countries, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. Continuation of, or escalations in, trade tension could have a significant adverse effect on world trade and macroeconomic markets at large, which may negatively impact our business, financial condition and results of operations.

The cement industry is capital intensive, and we may need to seek additional financing to support our growth.

The cement industry is highly capital intensive. We require a substantial amount of capital to build our production facilities, purchase production equipment and develop and implement new technologies in our new and existing facilities. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our capital expenditures, measured as the purchase of property, plant and equipment, right of use assets, mining rights, intangible assets and acquisition of subsidiaries net of cash required, were approximately RMB3,679.0 million, RMB2,950.9 million, RMB2,224.6 million and RMB1,435.5 million, respectively, accounting for approximately 43.3%, 32.7%, 26.7% and 26.5% of our revenue for the same periods.

If our internally generated capital resources, net proceeds from the offering of the Notes and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds, joint-venture partners and other strategic investors. We may also consider raising funds through issuance of new shares. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

We recorded net current liabilities as of December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. We may continue to record net current liabilities after the offering of the Notes and in future periods as we continue to expand and make significant capital investments. Our net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations (including the Notes) as and when they become due will depend primarily on our ability to maintain adequate cash inflows from operating activities.

Our level of indebtedness may expose us to liquidity risks.

We have historically relied on cash generated from our operations, bank borrowings, offerings of debt securities and share issuances to fund our capital requirements, finance the construction of our production facilities and purchase production equipment. As of December 31, 2024 and June 30, 2025, our total indebtedness, which includes any bank borrowings and senior notes, was approximately RMB11,559.3 million and RMB11,704.4 million, respectively. We had net current liabilities of approximately RMB3,560.4 million and RMB1,694.6 million as of December 31, 2024 and June 30, 2025, respectively. We cannot assure you that we will not continue to have a net current liabilities position in the future. Our level of indebtedness could increase in the future and materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to take on more debt; and
- increase our exposure to interest rate fluctuations.

We cannot assure you that we will be able to refinance or repay our bank borrowings or repay the Notes when they become due or be able to raise the necessary funding to finance our current liabilities and our capital commitments.

We have a substantial amount of bank borrowings and some of our bank borrowings have floating interest rates and an increase in the interest rate may have an adverse effect on our financial performance.

As of December 31, 2024, we had total borrowings of approximately RMB7,089.5 million, among which a number of loans have floating interest rates linked to, among others, the loan prime rate of the People's Bank of China and the secured overnight financing rate of Federal Reserve Bank of New York. If there is a material increase in the reference rates during the term of our relevant loan facilities or when our current loan facilities become due, our finance costs may increase substantially and our results of operations and financial performance may be adversely affected.

We operate in a competitive market and, if we are unable to compete successfully, our business, financial condition and results of operations may be adversely affected.

The cement industry is highly competitive in the markets in which we operate and we face a significant competition from both established companies with recognized brand names as well as new market entrants. See “Business — Competition”. We compete with our competitors for customers, raw

materials, energy resources and distribution networks. Many of our current and potential competitors may have better brand recognition in local markets, better pricing or greater financial, distribution, technical or marketing resources than we do. Companies in these markets often employ aggressive pricing strategies to gain market share. We compete primarily on the basis of price of our products, variety of product offerings, access to resources, sales and marketing network, production efficiency and brand image. If we are unable to compete successfully, our business, financial condition and results of operations could be materially and adversely affected. In our PRC markets, which have suffered from industry oversupply for more than 10 years, competition has been severe. There has been a trend, encouraged by some Government initiatives, towards industry consolidation that may benefit producers including ourselves and may also result in larger and potentially stronger competitors in the markets in which we operate. In our overseas markets, while competition is less severe, new entrants or existing competitors may increase capacity and compete with our Group by reducing prices and/or increasing volumes which may affect our profitability.

Our business, financial condition and results of operations may be adversely affected by increases in coal or electricity prices or shortages of coal and electricity.

We use a substantial amount of coal and electricity in our production, and any shortage or interruption in the supply of coal or electricity could disrupt our operations and increase our costs of sales. The pricing for coal in our supply agreements in the PRC is directly linked to market prices, so we bear the risk of coal price fluctuations. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our cost of coal as a percentage of our cost of sales of cement was approximately 32.5%, 28.0%, 25.7% and 22.6%, respectively. Our average cost of coal per ton were approximately RMB1,034, RMB879, and RMB745, and RMB659 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our cost of electricity as a percentage of our total cost of sales of cement was approximately 9.5%, 9.4%, 9.3% and 8.0%, respectively. Our average electricity purchase price per KWh was approximately RMB0.45, RMB0.41, RMB0.37 and RMB0.33 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. Any significant increase in the prices of coal or electricity or any shortage or interruption in their supply could increase our costs of sales and/or cause disruptions to our operations, and if we are not able to pass on any such price increase to our customers, it could have a material adverse effect on our business, financial condition and results of operations.

The resource tax we pay to local governments in the PRC and overseas may increase and we may not be able to renew our existing mining rights or secure additional mining rights.

Under the relevant mineral resources laws of the PRC and overseas regions where we operate, we are required to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area during a fixed license period. We are also required to pay a resource tax according to the Resource Tax Law of PRC coming into force on September 1, 2020. With regards to limestone, the tax rate is 1% to 6% or RMB1 to RMB10 per ton with the exact rate to be determined by the province government. Before the Resource Tax Law, the Interim Regulations on Resource Tax imposed a RMB0.5 to 20 per ton or cubic meter to ordinary non-metallic raw ore. We are required to pay a resource tax ranging from RMB0.8 per ton to RMB10.4 per ton on the price of excavated limestone in the PRC and most of the overseas regions in which we operate except for one subsidiary in Mozambique for which the resource tax is calculated based on 1.5% of the excavated cost in the respective month of excavation. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, we incurred approximately RMB67.4 million, RMB65.1 million, RMB59.8 million and RMB30.7 million in resource tax for the limestone excavated from the quarries for which we have mining rights, respectively. The amount of this resource tax may increase in the future, which could have a negative impact on our profitability and our results of operations.

As of June 30, 2025, we held mining rights over approximately 3,231 million tons of aggregate limestone. See “Business — Raw Materials — Limestone. As of June 30, 2025, we owned mining licenses for 25 limestone quarries, four of which have already expired. We cannot assure you that such mining licenses will be renewed upon expiration or that upon expiration, we will be able to renew on terms that are commercially reasonable. If we are unable to renew these licenses, we may have to seek alternative sources of limestone that may be further away from our production facilities which will result in higher transportation costs. Of the limestone we used in our production in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, approximately 18.6 million, 23.7 million, 24.0 million and 14.0 million tons, respectively, was excavated from our mines. We purchased approximately 2.2 million, 3.1 million, 2.6 million and 0.7 million tons of limestone from third party

limestone suppliers in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025. If we are unable to find alternative sources of limestone, the affected production facilities may not be able to continue their operations, in which case our business, financial condition and results of operations will be materially and adversely affected. As of the date of this Offering Memorandum, we have not yet obtained one mining license for quarries in Uganda. We expect to receive the mining license for this quarry by the end of 2025. Failure to obtain such mining license may cause us to be ordered by the relevant authorities to cease excavation at this limestone quarry until we obtain such mining license, which could disrupt our operations. We may also be subject to fines and required to disgorge profits obtained from unauthorized mining

As part of our growth strategy, we intend to acquire additional limestone reserves and production facilities. However, we cannot assure you that we will be able to acquire suitable limestone reserves in the future and obtain the mining rights for them. If we are unable to secure additional mining rights, our operations and growth prospects may be materially and adversely affected. Our financial performance and results of operations could also be adversely affected if we fail to pass on any increase in the cost of limestone excavation and purchases to our customers.

We may not be able to successfully identify suitable acquisition targets or complete the acquisitions, and if we do, we may face difficulties in integrating our acquired businesses or investments. If we fail to identify suitable acquisition targets, complete the acquisitions or realize the anticipated benefits from our acquisitions or investments, our business, financial condition and results of operations may be materially and adversely affected.

In January and May 2025, we announced our agreement to acquire an aggregate 98.77% equity interest in Cimenterie de Lukala SA (“CILU”) that owns and operates a 1.2 million tons per annum integrated cement plant in Lukala which is near Kinshasa, the capital city of the DRC, from Heidelberg Cement. This acquisition is expected to close by the end of 2025. For more information, see “Business — New Capacity, Acquisitions and Disposals in Recent Years”. However, we may acquire additional facilities in the future to take advantage of the industry consolidation trend and acquisition opportunities. The identification and completion of such acquisitions are dependent upon various factors, including satisfactory completion of due diligence, negotiation of definitive agreements and our ability to compete with other entities to acquire attractive targets. There can be no assurance that in the future we will be able to identify and acquire appropriate acquisition targets on commercially acceptable terms, if at all, or that we will have sufficient capital to fund such acquisitions. Failure to identify or acquire suitable acquisition targets in the future could materially and adversely affect our growth.

We may also experience difficulties in integrating the businesses and personnel that we have acquired or may acquire in the future due to differences in business models and cultures. Our management’s time and attention may be diverted from our business operations in the ordinary course and we may experience difficulties in retaining key employees and customers of the acquired businesses. In addition, we may incur higher capital expenditure and integration costs than we initially anticipated. Our future acquisitions may also result in the inheritance of debt or other liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be successful in realizing all of the anticipated benefits in the acquisitions that we have made or may make in the future. Any failure on our part to realize these anticipated benefits may materially and adversely affect our business, financial condition and results of operations.

We rely on third-party contractors to excavate limestone from all our limestone quarries and we may be liable for their failure to comply with applicable laws and regulations.

We engage third-party contractors to excavate limestone from all limestone quarries for which we have mining rights. We are not able to guarantee that the third-party contractors will continue to provide the limestone excavation services to us and, if any of them ceases to provide such services or fails to perform to our satisfaction, whether we will be able to locate suitable replacement to ensure a continuous supply of limestone for our production of cement products. If any of the third-party contractors ceases to provide such limestone excavation services to us and we are not able to locate suitable replacement, we may have to source limestone from other third party suppliers at higher cost and our results of operations and financial performance could be adversely affected.

We require our contractors to provide us with the applicable licenses and renewal certificates, as mandated under the relevant PRC, Uzbekistan, Mozambique and DRC laws and regulations, as well as conduct safety inspections at the quarries on a monthly basis. However, we may still be held liable by the regulatory authorities if our contractors fail to comply with relevant regulations in these countries and we may be subject to fines or other penalties and as a result our results of operations and financial performance may be adversely affected.

The prices of raw materials may continue to rise, and we may be unable to pass on some or all of the increases to our customers.

Certain raw materials used in our production, such as gypsum, flyash, pyrite cinder and slag, are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our cost of raw materials accounted for approximately 19.1%, 21.7%, 21.1% and 19.9%, respectively, of our total costs of sales.

We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in costs in our raw materials to our customers. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

Our business operations and construction of new facilities may be disrupted by reasons beyond our control, which could materially and adversely affect our business, financial condition and results of operations.

Our business operations and construction of new facilities may be disrupted by, among other things, extreme climatic and weather conditions, fires, natural disasters, epidemics, raw material supply shortages, equipment and system failures and labor force shortages. We hire independent contractors to excavate limestone for us and their operations are beyond our control. If our operations are disrupted for any reason, our business, financial condition and results of operations could be materially and adversely affected. In addition, due to the nature of our business and despite compliance with safety requirements and standards, our operations are subject to operational risks associated with the production of construction materials, such as storage tank leaks, explosions, discharges of hazardous substances and malfunctioning of production machinery. These risks may result in personal injuries, property damage and imposition of civil or criminal penalties.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC or in areas in which we operate may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including COVID-19, avian influenza, Severe Acute Respiratory Syndrome (“SARS”), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect our business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease in the PRC or in areas in which we operate could result in a widespread health crisis and restrict the level of business activity in affected areas, which may, in turn, adversely affect our business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of COVID-19, avian influenza, SARS, H5N1 influenza, H1N1 influenza, H7N9 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt our operations or our customers, which may have a material adverse effect on our results of operations.

We currently enjoy certain tax incentives in the PRC and overseas. Expiration of, or changes to, these incentives could materially and adversely affect our results of operations and financial condition.

We currently enjoy certain PRC tax incentives as a result of the locations of all of our PRC subsidiaries in western China and our use of recycled materials in our cement production. Some of our PRC subsidiaries are entitled to preferential enterprise income tax, or EIT, rate of 0 to 20% under the applicable government policies, compared with the regular national enterprise income tax rate of 25%. As enterprises located in western China operating in “encouraged” business and being eligible high-tech enterprises, 21 of our PRC subsidiaries in Shaanxi and Guizhou provinces are entitled to a preferential enterprise income tax rate of 15% under the (i) Western Development Plan implemented by the PRC government to encourage development in the western region of China, or (ii) relevant tax incentives for high-tech enterprises compared with the regular national enterprise income tax rate of 25%. Our effective income tax rate may be higher after 2030 when the current Western Development Plan expires.

Our overseas subsidiaries also enjoy certain tax incentives granted by the respective tax authorities. Our subsidiaries, Great Lakes Cement SAS, an indirect wholly-owned subsidiary of the Company incorporated under the laws of Democratic Republic of Congo (“Great Lakes Cement”), Lemi National

Cement PLC in Ethiopia and Hong Xing Glass Congo SARL in Congo are currently enjoying 0% enterprise income tax rate up to December 2028, October 2028 and August 2028, respectively. Additionally, the Group's subsidiaries Mozambique Dugongo Cement (Nampula) Co., Ltd. in Mozambique and WIH Cement Uganda — SMC Limited in Uganda, each of which are currently under construction, have been granted 0% enterprise income tax rate of 5 years and 10 years, respectively, from the date they commence operation.

In addition, pursuant to the Announcement on the Value-added Tax Policies for Comprehensive Utilization of Resources (關於資源綜合利用增值稅政策的公告) and renewed by the later released Announcement on Improving the Value-added Tax Policies for Comprehensive Utilization of Resources (關於完善資源綜合利用增值稅政策的公告) coming into effect in the PRC on March 1, 2022, we enjoy VAT refunds in the PRC for cement products that utilize waste materials. During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, such VAT refunds amounted to approximately RMB99.3 million, RMB97.0 million, RMB90.9 million and RMB27.5 million, respectively, representing 1.17%, 1.08%, 1.09% and 0.51% of our revenue during the same periods.

There is no assurance that we will be able to continue to enjoy these incentives on the same terms, or at all, in the future. Expiration of, or unfavorable changes to, these incentives in the future may adversely and materially affect our business, financial condition and results of operations.

Changing standards and regulations could make our products obsolete, which would have a material adverse effect on our business, financial condition and results of operations.

Our cement products are subject to changing government regulations and industry standards. We might be required to adhere to new and more stringent standards or regulations in the future as the PRC government seeks to improve standards that govern certain aspects of the production and sales of cement products to promote environment protection and suppress overcapacity of the cement industry. If the industry groups adopt standards or the PRC central or local government issues regulations with which our products are not compatible, some or all of our products may become obsolete. We cannot assure you that there will not be new standards or requirement to phase out other products. If we are unable to successfully develop or acquire new product production capabilities to replace other products as they become obsolete, our business, financial condition and results of operations would be materially affected.

Our expansion into new markets and overseas markets may not be successful and our offshore operations are subject to economic and political uncertainties in overseas markets.

Since 2020, we have expanded our operations into Sub-Saharan African and Central Asia. Our limited operating experience and experience with regulatory environments and market practices in these new markets may limit our expansion strategy and cause our business and growth to suffer. We may also encounter difficulty growing our business in these new markets because of limited brand recognition leading to delayed acceptance of our products by customers in these new markets. We will also face different market dynamics and competition in the new markets and may not be able to successfully penetrate into and develop our business in those markets. Our business expansion efforts in Sub-Saharan African and/or Central Asia markets could be more costly and less profitable than our business in our existing markets. We face risks associated with expanding into an increasing number of markets where we have limited or no experience, we may be less well-known or have fewer local resources and we may need to localize our business practices, culture and operations. We may lack knowledge of the local regulatory environment, market conditions, cultural and economic background, labor market and competitive landscape. We may also face protectionist policies that could, among other things, hinder our ability to execute our business strategies and put us at a competitive disadvantage relative to domestic players in the new markets. Our business is also subject to changes in international economic and political conditions. If the political conditions in any of the jurisdictions in which we operate deteriorates, or other political or military turmoil occurs, our overseas business may face geopolitical risks which may adversely affect the smooth operation of our overseas business. In particular, the expansion of our Sub-Saharan African and Central Asia businesses will also expose us to risks and challenges inherent in operating businesses internationally, including:

- increased resources requirements to manage regulatory compliance across our international businesses;
- failure to attract and retain capable talent with international and local perspectives who can effectively manage and operate local businesses;

- uncertain enforcement of our intellectual property rights in different jurisdictions;
- uncertain, complex and potentially adverse and conflicting customs, import/export laws, environmental protection, health and safety laws, currency controls, anti-dumping rules, tax rules and regulations or other trade barriers or restrictions, which could negatively affect margins on sales of our products in foreign countries and on sales of products that include components obtained from foreign suppliers;
- credit and collectability risk on our trade receivables with customers in different regions;
- availability, reliability and security of international and cross-border payment systems and logistics infrastructure;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- exchange rate fluctuations;
- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, civil unrest, war and terrorism, other armed conflicts, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;
- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China;
- challenges of maintaining efficient and consolidated internal systems, and of achieving customization and integration of these systems;
- lack of acceptance of our product and service offerings, and challenges of localizing our offerings to appeal to local tastes;
- increased competition with local players in different markets and sub-markets;
- expropriation and nationalization of our assets in countries in which we have overseas operations;
- lack of a well-developed or independent legal system in countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights; and
- protectionist or national security policies that restrict our ability to invest in or acquire companies, develop, import or export certain technologies, or utilize technologies that are deemed by local governmental regulators to pose a threat to their national security.

There is no assurance we will be able to manage these risks and challenges as we continue to grow our businesses and enter into new markets. If we are not successful in the new markets, we may not be able to realize an adequate return on our initial investment and our business, financial condition and results of operations may be materially and adversely affected. We may not be able to grow our revenue at expected growth rates and may incur expenses and capital expenditure costs relating to the development of new projects that do not generate a positive return on the investment. Therefore, failure to manage any of the above-mentioned risks and challenges could negatively affect our ability to expand our businesses and materially and adversely affect our business, financial condition and results of operations. See also “— Our business entails operational risk due to operating in countries known to experience corruption”.

Our business depends on our ability to manage our working capital successfully.

We depend on cash from our operating activities, bank borrowings and net proceeds from offerings of debt securities for our working capital needs. Our success depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. Such successful management primarily involves (i) timely payments of, or rolling over of, our indebtedness and securing new loans on favorable terms, (ii) timely payments or re-negotiation of our payment terms for our trade payables, (iii) efficiently utilizing banking facilities, (iv) timely collection of trade receivables and (v) establishing and

executing accurate and feasible budgets for our business operations. If we cannot manage our working capital successfully, our business, financial condition and results of operations could be materially and adversely affected.

Our business depends substantially on the continuing efforts of our executive directors, senior management, key personnel, and our ability to maintain a skilled labor force.

We are dependent on the ability and expertise of our executive directors and senior management for our daily business operations and formulating and implementing our business strategies. If one or more of our executive directors or senior management were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or form a competing company, we may lose some of our know-how and customers.

Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes are vital to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. We may also need to employ and retain more management personnel to support our expansion in the future. There is substantial competition for qualified personnel in the cement industry and we have experienced difficulties in recruiting suitable personnel with internal control experience in the past. We cannot assure you that we will be able to attract or retain qualified personnel. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected.

Our controlling shareholders will have substantial influence over us and there may be conflicts of interest between our controlling shareholders and our other shareholders.

Our controlling shareholders, Zhang Jimin (“Mr. Zhang”) and Asia Gain Investments, Ltd. (盈亞投資有限公司) (“Asia Gain”), beneficially own in the aggregate approximately 32.3% of our issued and outstanding share capital as of the date of this Offering Memorandum. Accordingly, our controlling shareholders, through their voting power at shareholders’ meetings and their delegate(s) to our board, will be in a position to exert significant influence over our management and corporate policies, including our development strategies, capital expenditure, dividend distribution plan, change of control and corporate opportunities. In addition, circumstances may arise in which the controlling shareholders’ interests may conflict with your interests. Potential conflicts of interest with our controlling shareholders may include matters relating to:

- approval of potential mergers or acquisitions, asset sales, and other significant corporate transactions, including transactions which may lead to a change of control;
- issuances of securities;
- investment decisions and decisions relating to capital expenditures; and
- payment of dividends and other distributions.

So long as our controlling shareholders continue to own a significant amount of our equity, even if such amount is less than 50% of the issued and outstanding share capital, our controlling shareholders will continue to be able to strongly influence or effectively control our decisions.

Our results of operations are subject to seasonal fluctuations.

Demand for our products is subject to seasonal fluctuations in our PRC markets and some of our overseas markets, and certain climatic conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because the level of activity in the construction industry is relatively low under those conditions. In China, we usually record our lowest quarterly sales in the first quarter due to the Chinese New Year holidays and cold weather in Shaanxi Province. We generally experience an increase in sales volume of our products in the second and third quarters because of improved weather conditions in the PRC and we generally increase the prices of our products due to higher demand during this period as a result of the higher level of construction activities. Our sales in Ethiopia are typically at their lowest during the Muslim Ramadam fasting period, which lasts for one month during the first quarter of each year until 2029 and the fourth quarter of each year from 2030 until 2037. Our sales volumes in Ethiopia usually peak in the second quarter of each year when the weather conditions are at their best. While not seasonal, other areas in our Sub-Saharan African markets may be affected by

extreme weather conditions, such as the flooding that occurred in our Great Lakes region markets during 2024. As a result of the seasonal fluctuations, our interim results may not be indicative of our business and financial performance for the year as a whole.

Any failure to maintain an effective quality control system at our production facilities could have a material and adverse effect on our business, financial condition and results of operations.

The quality of our products is critical to the success of our business. The quality of our products depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may result in delays in the delivery of our products, the need to replace defective or substandard products and damage to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to liabilities in connection with accidents arising from our business and operations. We may not have sufficient insurance coverage for such liabilities.

We face various risks, including the risk of liability for personal injury and loss of life, damage to or destruction of facilities and equipment, transportation damages and delays, environmental pollution, and risks posed by natural disasters, in connection with our business and operations. Our business involves the operation of heavy machinery, which may cause physical injury or even death. Accidents have happened in the past due to, among others, improper operation of machinery, machinery malfunction or employee negligence. There can be no assurance that similar accidents will not happen in the future. If accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments to the employees and their families, in addition to possible fines or penalties, as well as making us susceptible to negative media coverage. Furthermore, we may be forced to shut down certain equipment or suspend our operations due to government investigation or government requirement to implement additional safety measures. We cannot assure you that all the risks of liability or business interruptions are covered adequately by our existing insurance policy. If we incur substantial liabilities or experience business interruptions and they are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

Any unauthorized use of our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, financial condition and results of operations.

We rely on intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights, which are important to our business. In China, our cement is principally sold under the trademarks “尧柏” (Yao Bai) and “尧柏水泥” (Yaobaishuini), among others. In our overseas markets, our cement is sold under the trademarks “National Cement” in Ethiopia, “GLC” in DRC, “CHEETAH” in Rwanda, “DUGONGO” in Mozambique, “QILIN Cement” in Tanzania, “YAObAI CEMENT” in Uganda and “WEST” in Uzbekistan. Any unauthorized use of our brand name, trademark, and other intellectual property rights by third parties could adversely affect our business, reputation and market position.

We cannot assure you that the measures we take to protect our brand name, trademark and other intellectual property rights will be sufficient. In addition, the application and interpretation of the laws governing intellectual property rights in China, Ethiopia, DRC, Rwanda Mozambique, Tanzania and Uzbekistan are uncertain and still evolving, which could expose us to substantial risks. If we are unable to adequately protect our brand name, trademark and other intellectual property rights, our reputation, business, financial condition and results of operations could be adversely and materially affected.

Product liability claims may be brought against us and, whether or not successful, could harm our business, financial condition and results of operations.

We are exposed to risks associated with product liability claims if the use of our cement products results in property damage or personal injury. Our cement products are mainly used as construction materials. While we seek to conform our products to meet a variety of contractual specifications and regulatory requirements, we cannot assure you that product liability claims against us will not arise, whether due to product defects or other causes. We do not maintain any product liability insurance coverage and any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. Furthermore, we cannot

assure you that we will be able to defend against such claims successfully. If any such claims against us were ultimately successful, we may be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

Our internal controls over financial reporting may have deficiencies and weaknesses.

We have established an internal audit function that directly reports to our audit committee. Specialists from the internal audit function will plan their review scopes on our internal controls over financial reporting. In response to the recommendations of our internal audit function specialists, we have revised and implemented internal control policies and procedures in areas of deficiencies and weaknesses and have instituted a monitoring process. However, we cannot assure you that any deficiencies or weaknesses in our internal control for financial reporting will not occur in the future. If we fail to maintain effective internal controls over our financial reporting, we may not be able to timely and accurately prepare our financial reporting and therefore our results of operation may be adversely affected.

Our business, results of operations, financial condition and prospects may be adversely affected as a result of negative media coverage relating to us or the industry or market in which we operate.

We may be subject to and associated with negative publicity, including those on the Internet or any rating, research or short-selling reports, with respect to our corporate affairs and conduct related to our personnel. The industry or market in which we operate may also be subject to negative reports or criticisms by various media or incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to us or our related parties and regardless of truth or merit, may have an impact on our reputation and, consequently, may undermine the confidence of our customers and investors, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects.

Our business entails operational risk due to operating in countries known to experience corruption.

We operate in a number of jurisdictions that have from time to time experienced high levels of fraud, bribery, money-laundering and corruption. For example, certain jurisdictions in which we operate have been allocated low scores on Transparency International's 2024 "Corruptions Perception Index". While we and our subsidiaries are committed to conducting business in a legal and ethical manner, there is a risk that our employees or agents may take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act, 2010 or other applicable anti-corruption rules or regulations. These actions could result in criminal and civil penalties against us and/or our subsidiaries and could damage our reputation and business.

There is a risk that we will not be able to ensure that our internal control and anti-money laundering policies and procedures will protect us from fraud, money-laundering or other criminal acts committed by our employees or by third parties with whom we maintain business relationships. We maintain a system of controls designed to keep operational risk at appropriate levels, including a transparent anti-fraud supervision and reporting platform, regular anti-corruption and anti-money laundering training and ongoing risk assessment initiatives. However, there can be no assurance that we will not suffer losses from any failure of these controls to detect or contain operational risk in the future. The inadequacy or failure of our internal processes or systems may result in unauthorized transactions and errors which may not be detected and may have a material adverse effect on our financial condition, results of operations and/or prospects.

Potential changes in the sanction regimes of the U.S., the United Kingdom or the European Union could result in negative media and investor attention and possible sanctions imposed on our Group due to our Group's activities in certain countries or regions, which could materially and adversely affect our Group's financial condition and results of operations.

The operation of our Group could be subject to international sanction laws and regulations, including but not limited to those imposed by the U.S., the United Kingdom and the European Union. These sanctions may, in general, be imposed to restrict or prohibit certain dealing, transactions or business activities with specified entities, individuals or countries. For instance, different levels of the U.S. government impose economic sanctions of varying severity against certain geographical areas and

their populations or against designated governments, organizations, individuals and entities wherever located. In addition, similar sanctions are administered by the United Kingdom and the European Union to address a variety of their respective policy concerns.

While our Group currently does not carry out any activities that are the subject of sanctions imposed by the U.S., the United Kingdom or the European Union, our Group does in fact operate in countries that the U.S. have imposed sanctions upon (for instance, in Democratic Republic of Congo and Ethiopia). It is impossible to predict whether the operation or business of our Group or the countries or regions in which our Group carries out operations or businesses will become the subject of sanctions imposed by the U.S., the United Kingdom, the European Union or other applicable jurisdictions in the future due to changes in their respective sanction regimes or our Group's future business activities.

In the event that our Group is made subject to, or is involved in, future sanctions imposed by the U.S., the United Kingdom, the European Union or other applicable jurisdictions which our Group may then be operating in, we may be subject to negative media or investor attention which may distract management, consume internal resources and affect investors' perception of our Group and investment in our Group.

Labor disputes or increase in labor costs could materially and adversely affect our Group's business and results of operations.

Our Group relies on a skilled labor force to carry out our operations in the PRC and abroad. In recent years, increasing awareness of labor protection has led to the implementation of rules and regulations in jurisdictions including but not limited to the PRC with the purpose of offering broader protection to labor rights. There can be no assurance that our Group's operation in the PRC and in other applicable jurisdictions will not be subject to labor disputes on any levels, or that the labor costs in jurisdictions where our Group operates will remain at a rate that is financially acceptable by our Group. In the event that our Group is involved in labor disputes in the PRC or in other relevant jurisdictions or in the event that labor costs continue to increase in jurisdictions in which our Group operates, it may pose significant challenges to the operations of our Group, which could in turn materially and adversely affect our business, financial condition and results of operations.

We may be required to relocate existing residents and make resettlement arrangements as part of our resettlement commitment.

Our Group may in the future be required to relocate existing residents who reside on land parcels that we intend to carry out operations. There can be no assurance that such existing residents will always be in agreement with our Group when it comes to resettlement arrangements, compensations or whether they will accept to be relocated, if at all, and there can be no assurance that we will be able to reach arrangements for compensation and resettlement on terms satisfactory to us or at all. Any delayed administrative process to effect such resettlement arrangements or to determine such resettlement compensations may materially and adversely affect the operation of our Group.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

The cement industry is subject to significant regulation by the PRC government.

Various PRC government authorities, including the Ministry of Land and Resources, the State Environmental Protection Administration, State Administration for Market Regulation of the PRC, or SAMR, the Ministry of Industry and Information Technology and the Ministry of Construction of the PRC, have the authority to issue and implement regulations governing various aspects of cement production.

In order to engage in cement production in China, we are required to maintain certain licenses and permits such as a production license for industrial product, and meet certain environmental protection requirements. In addition, our products are also required to meet certain standards stipulated by various PRC government authorities. For example, PRC Standardization Administration issued the GB 175-2007/JC/T4 5 2-2 009 standards that govern certain aspects of the production and sales of cement products.

All cement producers in the PRC must comply with these standards, and cement products that fail to meet the relevant quality standards may not be sold in the PRC. These standards include strict guidelines regarding the composition and technical specifications for cement products and also standardize the testing methods for cement products and the types of packaging permitted. Should there be any change to the existing requirements or new requirements applicable to our cement products, we may need to incur additional expenses to ensure compliance and we cannot assure you that we will

successfully obtain such licenses, permits or approvals in a timely manner, or at all. For example, some of our PRC subsidiaries are in the process of applying for or renewing mining licenses, safety production licenses, and licenses for water drawing (取水許可證). The documents of approval and filing record with NDRC for some production lines belonging to some of our PRC subsidiaries could not be retrieved. If we are not able to meet all the licensing conditions or the regulatory requirements, our business, financial condition and results of operations could be adversely and materially affected.

The cement industry has traditionally been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection. While the PRC Government's current policies in respect of the domestic cement industry are market oriented, the PRC government still closely monitors the development of the cement industry and may from time to time regulate the industry by issuing and implementing new regulations and policies. For example, according to the Guidelines on Resolving the Excessive Overcapacity Issue (國務院關於化解產能嚴重過剩矛盾的指導意見) issued by the State Council on October 6, 2013, excess capacity will be eliminated through the absolute restraint of blind expansion of capacity, cessation of illegal capacity and closure of outdated capacity. In addition, P.C 32.5R grade cement has been formally abolished from October 2019 and its use will be significantly reduced. The constraints on the discharge of major pollutants, such as nitrogen oxide, and the energy and resource consumption indices will be strengthened; the product line that fails to meet these standards will be shut down. According to the Implementation Opinions of Shaanxi Province Government on Resolving the Excessive Overcapacity (陝西省人民政府關於化解產能嚴重過剩矛盾的實施意見) issued by Shaanxi Province Government on February 14, 2014, obsolete cement production capacity, including mechanized shaft kilns, dry-process hollow kilns (except those for producing high-alumina cement, sulphoaluminate cement and other kind of special cement), Lepol kilns, wet-process kilns, cement grinding equipment of less than three meters in diameter was eliminated.

Newly built cement clinker projects are required to take into account the disposal of local solid wastes and industrial solid wastes cooperatively. Newly built cement grinding projects are required to be designed to absorb and utilize local solid wastes suitable to be used as mixtures.

In addition, the Special Plan for Energy Conservation and Carbon Reduction in Cement Industry (水泥行業節能降碳專項行動計劃), the latest policy regarding the cement industry issued jointly by NDRC, Ministry of Industry and Information Technology ("MIIT"), Ministry of Ecology and Environment ("MEE") and other related ministries in 2024, emphasizes the goal of controlling the level of domestic cement production by seeking to exchange existing capacity rather than granting new capacity. According to the "Implementation Measures for Capacity Replacement in the Cement and Glass Industries (2024)" (水泥玻璃行業產能置換實施辦法(2024年本)), effective November 1, 2024, no new capacity for clinker will be granted.

According to the "Guiding Catalog for Industrial Restructuring (2024 Edition)" (產業結構調整指導目錄2024年版), new dry process cement clinker production lines with capacity below (and excluding) 2,000 tons/day and cement grinding stations with capacity below (and excluding) 600,000 tons/year belong to restricted industries. Consequently, any new production lines to be developed by the Group must exceed the aforementioned specified capacity, necessitating greater capital investments.

In addition, according to the Standard Criteria for the Cement Industry (水泥行業規範條件) promulgated by the Ministry of Industry and Information Technology, which came into effect on March 1, 2015, newly built cement projects shall be planned to build an industrial chain of circular economy.

In addition to its entry barriers, the cement industry has been subject to a credit control policy in recent years as it is an energy intensive industry. In June 2007, the PBOC promulgated the Guidelines on the Enhancement and Improvement of Financial Services in Energy Saving and Environmental Protection Fields (中國人民銀行關於改進和加強節能環保領域金融服務工作的指導意見), or the "2007 Guidelines", which tightened credit in energy intensive and heavily polluting industries and effectively constrained bank lending to PRC cement companies. Although we have adopted energy saving and environmentally friendly production technologies, and our production facilities are in compliance with industry policies, we may still have limited access to RMB-denominated loans from time to time due to different interpretations and implementation of the 2007 Guidelines by various PRC banks.

Furthermore, competition in the cement industry is regulated by, among other things, relevant anti-trust law provisions of the PRC. Our Company has in the past been involved in, or made subject of, alleged price monopoly behaviors by relevant governing authorities of the PRC such as the Shaanxi Administration for Market Regulation. For more information, see "Business — Legal Proceedings and Compliance".

Moreover, projects involving significant capital investment are subject to approval or filing requirements at different levels of the PRC government. Compliance with these government regulations and policies and efforts to obtain such approvals may result in significant adjustments to our current or future development plans, increase our costs and divert our management resources, which may adversely affect our profitability and growth prospects.

Compliance with environmental and energy conservation regulations can be expensive, and any failure to comply with these regulations could result in adverse publicity, significant monetary damages and fines and suspension of our business operations in the PRC and other jurisdictions in which our Group operates.

As an industry that generates significant levels of pollution and consumes large amounts of energy, the cement industry is subject to a wide range of environmental protection and energy conservation laws and regulations that are applicable in the PRC and other jurisdictions in which our Group operates. As the production of cement is regarded as one of the major sources of pollution in the PRC, the PRC government has adopted a series of environmental policies to reduce the adverse effects of the cement industry on the environment, such as the requirement to use the more environmentally friendly NSP production technology. Governmental requirements that affect our operations include those relating to noise, soil, air quality, solid waste management, and wastewater treatment. On November 25, 2010, the Ministry of Industry and Information Technology issued the “Guidelines on Energy Saving and Emission Reduction of the Cement Industry” (工業和信息化部關於水泥工業節能減排的指導意見), which aims to conserve energy and reduce the emissions resulting from cement production in the coming years. On September 10, 2013, the State Council issued the “Action Plan for Air Pollution Prevention and Control” (大氣污染防治行動計畫), which designated the cement industry as one of the key industries to carry out clean production. The Notice requires the cement producers, among other things, to accelerate the facility upgrades by installing denitration (De-NO_x) equipment at cement kilns. The Ministry of Environmental Protection of the PRC issued the latest “Emission Standard of Air Pollutants for Cement Industry” (水泥工業大氣污染物排放標準) in December 2013 pursuant to which the limit for NO_x emission in general areas must be reduced to 400 mg/m³. Newly established enterprises were required to comply with the new standard from March 1, 2014, while existing enterprises must implement the new standard from July 1, 2015. On September 29, 2020, the Standardization Administration of China promulgated the New Standard for Cement Package (GB/T 9774-2020) which requires that from April 1, 2022, all cement producers must adopt the new package for cement which means cement producers have to upgrade their packaging machinery, equipment and adopt automation more widely. In addition, the PRC government has adopted energy saving or production control policies specifically for the cement industry. For example, the “Three-year Action Plan to Win the Blue Sky Protection War” by the State Council (國務院《打贏藍天保衛戰三年行動計劃》) in 2018 specifically restricted new capacity construction of highly-polluting industry such as cement industry in certain important areas and strengthened the implementation of peak-shifting production halts to achieve the targets such as reduction of SO₂ and NO_x emission by 15% or above by 2020 compared with 2015.

The “Opinions on Advancing the Implementation of Ultra-Low Emission in the Cement Industry” (關於推進水泥行業超低排放的意見) issued on January 15, 2024 by MEE, MIIT, NDRC, Ministry of Finance and Ministry of Transport required that all the processes related to the production of cement, including grinding, drying, storage and transportation of raw material and products meet the ultra-low emission standards, and laid down detailed measurements and benchmarks that producers are required to achieve.

Furthermore, the MIIT and the Ministry of Ecology and Environment also released the “Notice on further improving the regular off-peak production of cement (2020)” (關於進一步做好水泥常態化錯峰生產的通知(2020)) to reinforce the off-peak production of cement, requiring that all the clinker production lines should conduct off-peak production.

Similar to the PRC, our operations in foreign jurisdictions such as Ethiopia, Mozambique and the DRC are subject to a wide range of environmental laws, codes and other regulatory frameworks.

Failure to comply with these policies and regulations may result in the assessment of damages or imposition of penalties, fines, administrative sanctions, proceedings and/or suspension of production or cessation of our operations or revocation of our licenses or permits to conduct our business in the PRC or any other applicable jurisdictions. With the increasing awareness of environmental protection and energy conservation issues, we anticipate that the regulatory frameworks adopted by countries worldwide will become increasingly stringent. The implementation of more stringent laws and regulations or stricter interpretation of the existing laws and regulations may require us to incur additional expenses for compliance purposes. We cannot assure you that we will be able to comply with

any additional regulations in the future, or enhanced implementation of such existing regulations, on a cost-effective basis, or at all. In such circumstances, our business, financial condition and results of operations could be adversely and materially affected.

We are subject to safety and health laws and regulations in jurisdictions where we carry out operations, and any failure to comply could adversely affect our operations and reputation.

We are required to comply with the applicable production safety standards in relation to our production processes. For example, our production plants and facilities in the PRC are subject to regular inspections by the regulatory authorities for compliance with the Work Safety Law of the PRC (中華人民共和國安全生產法). Similarly, our production plants and facilities located overseas are also required to comply with work safety and occupational health laws and regulatory requirements applicable in those jurisdictions. Furthermore, under the PRC Labor Law and the PRC law on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), we must ensure that our facilities comply with PRC standards and requirements on occupational safety and health conditions for employees. We provide our employees with labor safety training, all necessary protective tools and facilities, and regular health examinations for those who may be exposed to occupational hazards. Nevertheless, we cannot assure you that we will be able to comply with all the relevant legal requirements in the PRC or in the jurisdictions where we carry out operations, or that any allegations or criticisms, whether well-founded or not, may be made against us. Failure to meet the relevant legal requirements on production safety and labor safety in the PRC or in the jurisdictions where our Group operates could subject us to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame and a significant amount of fines the severity of the accident. We may also be required to suspend our production temporarily or cease our operations permanently for significant noncompliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Any slowdown in the PRC economy or changes in political and economic policies of the PRC government could have an adverse effect on the overall growth in the PRC, which could reduce the demand for our products and materially and adversely affect our business, financial condition and results of operations.

Substantially all of our assets are located in PRC and all of our business operations are conducted in the PRC. During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, we derived 85%, 69%, 62% and 57%, respectively, of our revenue from the sale of our products to customers in Shaanxi, Guizhou and Xinjiang Provinces, PRC. Accordingly, our business, results of operations and financial condition are significantly affected by economic, political and legal developments in the PRC. Demand for our products is dependent on the pace of the economic growth in the PRC and in particular the general level of activity and growth in the construction industry in western China where we operate. In addition, general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, GDP growth and consumer confidence also influence the performance and growth of the construction industry and, consequently, the demand for our products. A downturn in the construction industry in the PRC or in any of the regional markets in Shaanxi and Guizhou Provinces where we operate could materially and adversely affect our business, financial condition and results of operations.

The PRC government has implemented economic reform measures and industrial policies in the past three decades and will continue to do so in order to utilize market forces in the development of the PRC economy. Some of these measures and policies, while benefiting the overall PRC economy, may have a negative effect on us. For example, efforts by the PRC government to slow the pace of growth of the real estate industry to a more sustainable level in the PRC may negatively affect the real estate market and consequently impede the growth of the construction industry. Any weakening in the real estate sector in our target markets could adversely affect our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their worldwide income. The State Council of the PRC has promulgated implementation rules

of this tax law which define “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise’s manufacturing or business operation, staff, accounting and property. In addition, the Notice of the State Administration of Taxation on Issues Relating to Determining the Resident Enterprise Status of Overseas Registered Chinese Holding Enterprises Based on the “de facto Management Bodies” Standard (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), which was issued on April 22, 2009 and has a retrospective effect since January 1, 2008, provides specific tests regarding under what situations an enterprise’s “de facto management body” would be considered to be located in the PRC. Substantially all of our management is currently based in the PRC, and we expect them to continue to be located in the PRC for the foreseeable future. Although the PRC tax authorities have not notified us to date that we should be treated as a PRC tax resident enterprise, it is not clear whether the PRC tax authorities will seek to assert such characterization. In the event that we are treated as a “resident enterprise” for enterprise income tax purposes, our worldwide income, excluding dividends received from our PRC subsidiaries, will be subject to PRC enterprise income tax. See “— Interest payable by us to our foreign investors and gains on the sale of our Notes may be subject to withholding taxes under PRC tax laws” below.

Additionally, pursuant to the Announcement of the State Administration of Taxation on Several Issues concerning Enterprise Income Tax on the Indirect Transfer of Property by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued by the State Administration of Taxation (國家稅務總局) on February 3, 2015, even if we or our non-PRC subsidiaries are considered as non-PRC resident enterprises, we cannot provide any assurance that any direct or indirect transfer of our equity interests in our PRC subsidiaries via our non-PRC holding companies in the future will not be subject to examinations by our PRC subsidiaries’ tax authorities and therefore will not be subject to a withholding tax of 10%.

Interest payable by us to our foreign investors and gains on the sale of our Notes may be subject to withholding taxes under PRC tax laws.

Under PRC tax laws, withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such interest is from sources within the PRC (or at the rate of 20% from interest paid to investors that are non-resident individuals), subject in each case to the provisions of any applicable double tax treaty. In addition, any gain realized on the transfer of our Notes is subject to PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC at the rate of 10% for enterprises, or possibly 20% for individuals, subject to the provisions of any applicable double tax treaty.

Our Company currently takes the view that it is not a “resident enterprise” for these purposes. However, if our Company is considered to be a “resident enterprise”, the interest we pay with respect to our Notes may be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. Further, in the event that our Company is considered a “resident enterprise”, it is unclear whether the gain from the transfer of our Notes would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. If the holders of our Notes are required to pay PRC enterprise income tax on the transfer of their Notes, the value of their investment in our Notes may be materially and adversely affected.

Our Company has agreed to pay, subject to certain exceptions, such additional amounts as will result in the holders’ receipt of the amounts that would have been received in the absence of withholding of taxes by our Company. If our Company is considered as a “resident enterprise” and is required to withhold PRC taxes from payments on the Notes, the requirement to pay additional amounts with respect to any PRC tax withheld will increase the cost of servicing the Notes and will adversely affect our cash flows and financial position.

Government control over currency conversion may limit our ability to utilize our cash effectively and make payments under the Notes.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange of the PRC (“SAFE”), by complying

with certain procedural requirements. However, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign-invested enterprise in the PRC, the repayment of the principal amount of foreign currency loans and payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require prior approval from SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

All our revenue is in Renminbi. The Renminbi is not a freely convertible currency. We will have to convert portion of our Renminbi revenue or profit to meet our foreign currency obligations, such as the payment of dividends, if declared. Limits in the PRC on conversion of Renminbi into foreign currency may restrict our ability to pay interest and principal on the Notes, or otherwise satisfy foreign currency-denominated obligations. If restrictions imposed by the PRC Government prevent us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest and principal on the Notes.

In addition, since our revenues have been and will continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us, which could have a material and adverse effect on our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Most of our production lines and a majority of our directors are located in the PRC. As a result, it may not be possible for you to effect service of legal process upon us or our directors in the PRC. The PRC does not have treaties providing for reciprocal recognition and enforcement of judgments of courts within the United States, the United Kingdom or most other western countries. Thus, it may be difficult for you to enforce against us and our directors in the PRC any judgments obtained from non-PRC courts.

Our results of operations and the trading price of our Notes may be adversely affected by the occurrence of a pandemic or similar event.

Past occurrences of epidemics and pandemics have caused different degrees of damage to national and local economies in China. Another public health crisis in China triggered by a recurrence of a communicable disease such as SARS or COVID-19 may affect investment sentiment and result in sporadic volatility in global capital markets. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices or production facilities, temporary suspension of manufacturing operations, travel restrictions, the sickness or death of our key officers and employees and a general slowdown in the PRC's national and regional economies. Any material change in the financial markets or the PRC's national or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

Most of our business is conducted in China and is governed by PRC laws and regulations. Certain of our subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. If we fail to comply with the relevant requirements due to any change in applicable PRC law or regulation, we may be subjected to penalties or other enforcement actions by relevant PRC government authorities. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive a less favorable interpretation of laws and regulations than our competitors. In addition, any

litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

RISKS RELATING TO THE NOTES

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct our operations through our subsidiaries primarily based in the PRC. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, subject to the covenants under the caption “Description of the Notes — The Subsidiary Guarantees”, the Notes will not be guaranteed by certain other subsidiaries (together with our current and future subsidiaries, the “Non-Guarantor Subsidiaries”). Our primary assets are loans to and ownership interests in our PRC subsidiaries and certain African operating subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries incorporated outside the PRC. Any future Subsidiary Guarantors may not have material operations. In addition, shares of our subsidiaries will not be pledged for the benefit of the holders of the Notes. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries in the PRC as well as Uzbekistan as well as Mozambique, the DRC and Ethiopia, Africa. See also “— Risks Relating to the PRC — Government control over currency conversion may limit our ability to utilize our cash effectively and make payments under the Notes”.

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on such subsidiaries and assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of such subsidiaries, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2025, we had total indebtedness, which includes any bank borrowings and senior notes, in the amount of RMB11,704.4 million (US\$1,633.9 million) and capital commitments of approximately RMB3,149.0 million (US\$439.6 million). See “Description of Other Material Indebtedness”. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of such Subsidiary Guarantor securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a non-PRC Restricted Subsidiary does not have to provide a Subsidiary Guarantee if such non-PRC Restricted Subsidiary has no less than 10% of its capital stock owned by one or more independent third parties and (ii) our Company could not, upon using commercially reasonable efforts (which will not involve any payment of any consideration), obtain the agreement or support from such independent third parties for the giving of a Subsidiary Guarantee by such non-PRC Restricted Subsidiary.

In addition, our Company may designate any Offshore Restricted Subsidiary (including those Offshore Restricted Subsidiaries not providing Subsidiary Guarantees on the Original Issue Date, but excluding any Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary) as a Designated Offshore Non-Guarantor Subsidiary; provided that, after giving effect to the consolidated assets of such Offshore Restricted Subsidiary, (i) at any time of determination, the total Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (excluding for this purpose the consolidated assets of all Exempted Subsidiaries, Listed Subsidiaries and Excluded Subsidiaries as of the date of calculation); and (ii) such designation would not cause a Default.

We have considerable indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We now have and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of June 30, 2025, our total indebtedness, which includes any bank borrowings and senior notes, amounted to RMB11,704.4 million (US\$1,633.9 million), respectively.

Our considerable indebtedness could have important consequences for you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Although the Indenture restricts us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flows for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital.

These strategies may not be instituted on satisfactory terms, if at all. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of other debt agreements, including the Notes, or result in a default under our other debt agreements, including the Indenture, in turn magnifying the effect of an individual default. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us. In the event our lenders or holders of debt securities accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to such limitation on the incurrence of indebtedness, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See “Description of Other Material Indebtedness.” Such restrictions in the Indenture, and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the Notes, and to fund planned capital expenditures will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business might not generate sufficient cash flows from operations to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to service our indebtedness or obtain refinancing on terms acceptable to us, we may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of other debt agreements, including the Notes, or result in a default under our other debt agreements, including the Indenture, in turn magnifying the effect of an individual default. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us. In the event our lenders or holders of debt securities accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. See “Description of Other Material Indebtedness”. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. Further, certain loan agreements with PRC based banks may contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. These restrictions could have a negative impact on the calculation of our EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees. See “Description of Other Material Indebtedness”.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders’ loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident, subject to approval by local tax authorities) withholding tax on our behalf on the interest paid under any shareholders’ loans. PRC regulations require our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flows from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. On August 11, 2015, the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi against the U.S. dollar to make the exchange rate of Renminbi more market-based. This modified mechanism allows traders to consider the closing exchange rate in the previous trading day when they quote the midpoint price of Renminbi against U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2020. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate in the future.

The Notes are denominated in U.S. dollars, while substantially most part of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. To the extent that we need to convert U.S. dollars we receive from the offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollars could have a material adverse effect on the value of the net proceeds we will receive from the offering in U.S. dollars, our business, financial condition and results of operations. Conversely, as we rely on dividends paid to us by our PRC-incorporated subsidiaries as well, any depreciation of the Renminbi may materially and adversely affect our ability to service the Notes. Although we enjoyed a foreign exchange gain in the amount of RMB54.9 million for the year ended December 31, 2024, if Renminbi depreciates against the U.S. dollar in the future, which would lead to a decrease in our profit and total comprehensive income for the year attributable to owners of our Company during the same period.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In addition, following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

We may not be able to repurchase the Notes upon a change of control triggering event.

Upon the occurrence of a change of control triggering event, the holder of each Note will have the option to require us to redeem all or some of the holder's Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes". The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of the outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of change of control triggering event for purposes of the indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control triggering event for purposes of the indenture governing the Notes also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

Noteholders may be unable to enforce their rights under U.S. bankruptcy law.

We are incorporated under the laws of Jersey, and all of our assets are located outside of the United States. Under federal bankruptcy law in the United States, courts typically have jurisdiction over a debtor's property, wherever located, including property situated in other countries. However, courts outside of the United States may not recognize the United States bankruptcy court's jurisdiction. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a Jersey, British Virgin Islands or Hong Kong debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside of the United States.

The insolvency laws of Jersey and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because we are incorporated under the laws of Jersey, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Jersey insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends heavily upon the ability of our subsidiaries in the PRC and overseas to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident, subject to approval by local tax authorities) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes. In our overseas operations, while there are no restrictions to remit foreign exchange, the payment of dividend and shareholder loans out of the country may depend on the sufficiency of the foreign exchange reserve of these countries. It may not have sufficient foreign exchange that allow our overseas subsidiaries to pay out the dividend and/or

repay the shareholder loans. Moreover, the Renminbi, Mozambique Meticaïs and Ethiopian Birr are not freely convertible currencies. Future exchange rates of the Renminbi, Meticaïs and Ethiopian Birr could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government, Mozambique government and Ethiopian government. There can be no assurance that additional restrictions on currency exchange will not be implemented in the future or that these restrictions will not limit the ability of our subsidiaries to transfer cash to us, which could materially and adversely affect our business, financial condition and results of operations. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risks — Foreign Exchange Risk”.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the past we may not have been in full compliance with certain provisions of our debt agreements, and we cannot assure you that in the future we will not fail to be in full compliance with the terms of our current or future debt agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Indenture and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on their capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. As of the date of this Offering Memorandum, confirmation of the eligibility for the listing of the Notes has been received from the HKEX, and we cannot assure you that we will obtain or be able to maintain a listing on the HKEX, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Transfer Restrictions”. We cannot predict whether an active trading market for the Notes will develop or be sustained.

The ratings assigned to the Notes or us may be lowered or withdrawn in the future.

The Notes are expected to be rated “B” by S&P and “B” by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate credit rating of “B+(prelim)” with a Stable outlook by S&P, “B(EXP)” with a Stable outlook by Fitch and “Caal” on review for upgrade by Moody’s Investor Service, Inc. (“Moody’s”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings will be confirmed or they will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Trustee nor we have any obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute “connected transactions” under the Listing Rules will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant.

Our shares are listed on the HKEX and we are required to comply with the Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates”, which include, among others, (a) any subsidiary of such “connected person”, (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power at general meeting of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between our Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of our Company or (y) any Affiliate of our Company, on the other hand. As such, transactions between our Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in price for comparable companies and government regulations and changes thereof applicable to our industry and general economic conditions nationally or

internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors.

Facts and statistics in this Offering Memorandum relating to China's economy and the cement industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with IFRS Accounting Standards, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this Offering Memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS Accounting Standards and other GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS Accounting Standards and other GAAP and how those differences might affect the financial information contained in this Offering Memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the HKEX, and such standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to disclosure obligations in respect of the Notes to be listed on the HKEX. The disclosure standards imposed by the HKEX may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of holders of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise”.

In the event we are treated as a PRC “resident enterprise” under the PRC Enterprise Income Tax Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law or the stating of an official position regarding the application or interpretation of such law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise”, we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Notes are subject to optional redemption by us.

As set forth in “Description of the Notes — Optional Redemption”, the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Trustee may request that the holders of the Notes provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, the Trustee may (at its sole and absolute discretion) request the holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions and/or steps and/or institute proceedings on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions and/or steps and/or institute proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact when such actions can be taken. The Trustee may not be able to take actions and/or steps and/or institute proceedings notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Indenture and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Indenture and the applicable law, it will be for the holders of the Notes to take such actions and/or steps and/or institute proceedings directly.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES

Our initial Subsidiary Guarantors do not currently have significant operations and may not have the funds necessary to satisfy our financial obligations under the Notes.

The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, subject to the covenants under the caption “Description of the Notes — The Subsidiary Guarantees”, the Notes will not be guaranteed by certain subsidiaries that are or will be Exempted Subsidiaries, Listed

Subsidiaries or Excluded Subsidiaries. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and the Non-Guarantor Subsidiaries.

Certain of the initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. You should note that the consolidated financial information presented in this Offering Memorandum includes information of entities which are not Subsidiary Guarantors, and the contribution to the consolidated financial information by the Subsidiary Guarantors is not material. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

Under the terms of the Notes, a non-PRC Restricted Subsidiary does not have to provide a Subsidiary Guarantee if (i) such non-PRC Restricted Subsidiary has no less than 10% of its capital stock owned by one or more independent third parties and (ii) our Company could not, upon using commercially reasonable efforts (which will not involve any payment of any consideration), obtain the agreement or support from such independent third parties for the giving of a Subsidiary Guarantee by such non-PRC Restricted Subsidiary.

In addition, our Company may designate any Offshore Restricted Subsidiary (including those Offshore Restricted Subsidiaries not providing Subsidiary Guarantees on the Original Issue Date, but excluding any Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary) as a Designated Offshore Non-Guarantor Subsidiary; provided that, after giving effect to the consolidated assets of such Offshore Restricted Subsidiary, (i) at any time of determination, the total Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (excluding for this purpose the consolidated assets of all Exempted Subsidiaries, Listed Subsidiaries and Excluded Subsidiaries as of the date of calculation); and (ii) such designation would not cause a Default.

The Subsidiary Guarantees may be released prior to the maturity of the Notes without consent from the holders of the Notes in accordance with the terms of the Indenture.

Under the terms of the Indenture, a Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including, among others:

- in the case of a Subsidiary Guarantor that becomes, or is designated by our Company as, a Non-Guarantor Subsidiary or an Unrestricted Subsidiary, in compliance with the terms of the Indenture; or
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of our Company's other indebtedness or any indebtedness of any other Restricted Subsidiary.

Such release of Subsidiary Guarantee may occur prior to the stated maturity of the Notes and, upon such release, the Notes will be subordinated to all obligations owed by the relevant Subsidiary.

The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency laws in the British Virgin Islands or bankruptcy law, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong and other jurisdictions where future Subsidiary Guarantors may be established or where insolvency proceeding may be commenced with respect to any such Subsidiary Guarantor, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For Subsidiary Guarantors incorporated in the British Virgin Islands:

- incurred the debt with the intent to defraud creditors (whenever the transaction took place and irrespective of insolvency);

- either (i) put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given or (ii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor (although in either case a guarantee will only be voidable if it (i) was entered into at a time when the guarantor was insolvent or if it became insolvent as a consequence of doing so, insolvent in this context meaning that the guarantor is unable to pay its debts as they fall due, and (ii) it was given within the six month, or, if the guarantee and beneficiary are connected entities, two year, period preceding the commencement of liquidation).

For Subsidiary Guarantors incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees. In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor, or held the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantor whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

USE OF PROCEEDS

The gross proceeds from this offering, before deducting the underwriting commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$396.46 million. We intend to use the gross proceeds from this offering, together with cash on hand, for repurchasing, redeeming or repaying our existing indebtedness (including the 2026 Notes pursuant to the Concurrent Tender Offer or through redemptions) and for working capital (including current liabilities) purposes.

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of June 30, 2025 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering before deducting the underwriting commissions and other estimated expenses payable by us in connection with this offering. The as-adjusted information below is illustrative only and does not take into account any changes in our borrowing and capitalization after June 30, 2025 other than as noted below. For the avoidance of doubt, the as-adjusted information below does not give effect to the Concurrent Tender Offer, which we intend to fund with the gross proceeds from this offering and internal cash resources.

The following table should be read in conjunction with our consolidated financial statements and related notes included in this Offering Memorandum.

	As of June 30, 2025			
	Actual		As Adjusted	
	RMB	US\$	RMB	US\$
	(in thousands)			
Cash and cash equivalents, and restricted/ pledged bank deposits ⁽¹⁾	1,820,811	254,175	4,660,892	650,635
Current borrowings:				
Bank borrowings.	3,939,498	549,933	3,939,498	549,933
	3,939,498	549,933	3,939,498	549,933
Non-current borrowings:				
Bank borrowings.	3,367,459	470,079	3,367,459	470,079
Notes to be issued ⁽²⁾	—	—	2,840,081	396,460
Senior notes ⁽³⁾	4,397,466	613,863	4,397,466	613,863
	7,764,925	1,083,942	10,605,006	1,480,402
Total borrowings⁽⁴⁾	11,704,423	1,633,875	14,544,504	2,030,335
Total equity	14,331,355	2,000,580	14,331,355	2,000,580
Total capitalization⁽⁵⁾	26,035,778	3,634,455	28,875,859	4,030,915

Notes:

- (1) Includes bank balances and cash as of June 30, 2025 in the amount of approximately RMB854 million and current and non-current restricted/pledged bank deposits in the amount of approximately RMB966 million.
- (2) As adjusted to give effect to the issuance of the Notes without taking into account the relevant transaction costs.
- (3) Senior notes due July 2026. For the avoidance of doubt, the as-adjusted information above does not give effect to the Concurrent Tender Offer, which we intend to fund with the gross proceeds from this offering and internal cash resources. As a result, if the Concurrent Tender Offer is consummated, our cash and cash equivalents and borrowings will decrease.
- (4) Total borrowings comprise outstanding bank borrowings and Senior notes.
- (5) Total capitalization equals total debt plus total equity.

Except as otherwise disclosed in this Offering Memorandum, there has been no material adverse change in our capitalization since June 30, 2025.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information for the years ended December 31, 2022, 2023 and 2024 has been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. Our consolidated financial statements for the years ended December 31, 2022, 2023 and 2024 have been prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). The following selected consolidated financial information for the six months ended June 30, 2024 and 2025 has been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this Offering Memorandum. Our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2024 and 2025 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the IASB.

Summary Consolidated Statements of Profit or Loss and Comprehensive Income

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
					(Unaudited)	(Unaudited)	(Unaudited)
Revenue	8,489,135	9,020,901	8,344,946	1,164,910	3,701,812	5,418,323	756,369
Cost of sales	(6,307,305)	(6,560,882)	(6,371,161)	(889,380)	(2,728,580)	(3,791,314)	(529,247)
Gross profit	2,181,830	2,460,019	1,973,785	275,530	973,232	1,627,009	227,122
Other income ⁽¹⁾	451,912	142,719	148,065	20,669	61,677	53,088	7,411
Selling and marketing expenses	(75,197)	(132,386)	(131,782)	(18,396)	(86,583)	(162,132)	(22,633)
Administrative expenses	(604,845)	(796,404)	(702,267)	(98,033)	(318,435)	(354,315)	(49,460)
Other expenses	(64,937)	(200,429)	(101,700)	(14,197)	(36,223)	(49,178)	(6,865)
Other gains and losses, net	(52,454)	(277,668)	182,484	25,474	183,140	140,636	19,632
Impairment losses under expected credit loss mode, net of reversal	(68,885)	(18,489)	(54,903)	(7,664)	(51,759)	57,047	7,963
Share of results of an associate and a joint venture	(6,407)	(3,403)	2,137	298	1,550	(56)	(8)
Interest income	168,898	88,189	69,046	9,638	24,631	24,010	3,352
Finance costs	(416,616)	(307,839)	(294,683)	(41,136)	(102,713)	(272,266)	(38,007)
Profit before tax	1,513,299	954,309	1,090,182	152,183	648,517	1,063,843	148,507
Income tax expense	(169,184)	(268,608)	(262,327)	(36,619)	(153,382)	(168,701)	(23,550)
Profit for the year/period	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Other comprehensive (expense) income for the year/period							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences on translation of foreign operations	(35,713)	(61,369)	(1,147,913)	(160,242)	25,649	(204,842)	(28,595)
Total comprehensive income (expense) for the year/period	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Profit for the year/period attributable to:							
Owners of the Company	1,214,746	421,278	626,181	87,411	386,882	748,262	104,453
Non-controlling interests	129,369	264,423	201,674	28,153	108,253	146,880	20,504
	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Total comprehensive income (expense) attributable to:							
Owners of the Company	1,190,988	369,701	(75,170)	(10,493)	404,999	637,677	89,016
Non-controlling interests	117,414	254,631	(244,888)	(34,185)	115,785	52,623	7,346
	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Earnings per share							
Basic (RMB/share)⁽²⁾	0.224	0.077	0.115	0.016	0.071	0.137	0.019
Diluted (RMB/share)⁽³⁾	0.224	0.077	0.115	0.016	0.071	0.137	0.019
Other Financial Data EBITDA⁽⁴⁾	3,082,742	2,768,684	2,522,375	352,110	1,274,361	1,950,867	272,331
EBITDA margin⁽⁵⁾	36.3%	30.7%	30.2%	30.2%	34.4%	36.0%	36.0%
EBITDA/Gross interest expense⁽⁶⁾	6.36	4.86	4.22	4.22	4.62	6.72	6.72
Total Debt⁽⁷⁾/EBITDA or annualized EBITDA⁽¹⁰⁾	3.09	3.86	4.58	4.58	4.61	3.00	3.00
Net Debt⁽⁸⁾/EBITDA or annualized EBITDA⁽¹⁰⁾	2.43	3.09	3.58	3.58	3.49	2.53	2.53
Total Debt⁽⁷⁾/Total Capitalization⁽⁹⁾	42.0%	43.0%	46.0%	46.0%	44.0%	45.0%	45.0%

Notes:

- (1) Our other income primarily includes (i) VAT refunds we received from the PRC government for sales of certain types of cement that use industrial by-products, industrial waste and construction waste and (ii) government grants.
- (2) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year/period.
- (3) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The calculation of our Company's diluted earnings per share for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 did not take into account the share options of our Company because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of our Company's shares during these years/periods and hence the exercise of the share options would have an anti-dilutive effect.
- (4) EBITDA is equal to profit before tax plus finance costs, depreciation and amortization, loss on derecognition of a subsidiary, impairment losses in respect of goodwill, impairment losses under expected credit loss model, net of reversal and net foreign exchange gains (losses), gain in acquisition/disposal of subsidiaries, gain on modification of other long-term payables, interest income and hyperinflation restatement. EBITDA is not a standard measure under IFRS Accounting Standards. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit and total comprehensive income attributable to owners of the Company or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, net finance costs, net foreign exchange losses from consolidated statement of cash flows, share-based payments or depreciation and amortization. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenue and profit and total comprehensive income attributable to owners of the Company and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA herein because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (5) EBITDA margin is calculated by dividing EBITDA by revenue.
- (6) Gross interest expense includes interest expense capitalized in property, plant and equipment and excludes unwinding of discount on asset retirement obligations. Gross interest expense is not a standard measure under IFRS Accounting Standards. Gross interest expense presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our gross interest expense to the gross interest expense provided by other companies because not all companies use the same definition. Investors should also note that the gross interest expense presented herein is calculated differently from Consolidated Interest Expense as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated Interest Expense is defined for purposes of the Indenture governing the Notes.
- (7) Total debt includes bank borrowings, medium-term notes and senior notes.
- (8) Net debt equals to total debt less cash and cash equivalents and restricted and pledged bank deposits.
- (9) Total capitalization equals total debt plus total equity.
- (10) Annualized EBITDA applies to the period for the six months ended June 30, 2024 and 2025 and is calculated by multiples by 2 using the EBITDA of the respective periods.

Summary Consolidated Statements of Financial Position Information

	As of December 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
					(Unaudited)	
ASSETS						
Non-current assets						
Property, plant and equipment	18,195,355	20,809,466	23,183,932	3,236,352	22,396,789	3,126,471
Investment properties.	47,059	47,059	94,358	13,172	94,358	13,172
Right-of-use assets	827,334	833,809	758,758	105,919	731,966	102,179
Mining rights.	1,528,031	1,728,434	1,734,848	242,175	1,539,844	214,954
Other intangible assets.	543,560	430,705	358,579	50,056	299,925	41,868
Interest in a joint venture.	3,403	—	—	—	—	—
Interest in an associate.	—	8,000	10,137	1,415	10,081	1,407
Equity investments at fair value						
through profit or loss (“FVTPL”).	92,593	37,128	36,217	5,056	46,099	6,435
Loan receivables.	401,847	396,109	134,687	18,802	172,908	24,137
Deferred tax assets	190,639	165,980	131,498	18,356	125,332	17,496
Prepayments for right-of-use assets. .	38,511	26,600	34,087	4,758	33,379	4,660
Prepayments for mining rights.	9,500	9,500	9,500	1,326	9,500	1,326
Deposits paid for acquisition of						
property, plant and equipment and						
mining rights	858,013	395,357	329,048	45,933	269,257	37,587
Other deposits	18,472	134,637	134,147	18,726	120,583	16,833
Amount due from a joint venture. . .	634,827	—	—	—	—	—
Pledged/restricted bank deposits. . . .	—	70,000	107,801	15,048	131,628	18,375
	<u>23,389,144</u>	<u>25,092,784</u>	<u>27,057,597</u>	<u>3,777,095</u>	<u>25,981,649</u>	<u>3,626,900</u>
Current assets						
Inventories	1,488,858	1,398,662	1,860,157	259,668	1,686,136	235,376
Properties under development	—	944,082	1,276,265	178,160	574,273	80,165
Properties for sale.	—	—	—	—	150,673	21,033
Trade and other receivables and						
prepayments.	2,990,695	3,175,323	3,388,534	473,021	3,876,644	541,159
Loan receivables.	324,654	241,668	273,713	38,209	138,364	19,315
Pledged/restricted bank deposits. . . .	621,627	1,127,669	1,276,519	178,195	834,704	116,520
Cash and cash equivalents	<u>1,424,275</u>	<u>922,662</u>	<u>1,157,136</u>	<u>161,530</u>	<u>854,479</u>	<u>119,281</u>
	6,850,109	7,810,066	9,232,324	1,288,783	8,115,273	1,132,849
Assets classified as held for sale . . .	—	—	—	—	1,689,062	235,784
	<u>6,850,109</u>	<u>7,810,066</u>	<u>9,232,324</u>	<u>1,288,783</u>	<u>9,804,335</u>	<u>1,368,633</u>
Total assets	30,239,253	32,902,850	36,289,921	5,065,878	35,785,984	4,995,533

	As of December 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
					(Unaudited)	
EQUITY AND LIABILITIES						
Current liabilities						
Borrowings	3,156,533	3,632,813	3,917,111	546,808	3,939,498	549,933
Medium-term notes	714,431	—	—	—	—	—
Trade and other payables	4,877,402	5,125,429	7,501,250	1,047,134	6,546,686	913,882
Dividend payables.	88,410	129,415	60,370	8,427	236,052	32,952
Contract liabilities.	453,687	721,709	1,249,554	174,431	518,123	72,327
Deferred income.	3,527	4,850	5,491	767	5,491	767
Income tax payable	181,006	195,439	58,911	8,224	92,164	12,866
	9,474,996	9,809,655	12,792,687	1,785,791	11,338,014	1,582,727
Liabilities directly associated with assets classified as held for sale . .	—	—	—	—	160,903	22,461
	9,474,996	9,809,655	12,792,687	1,785,791	11,498,917	1,605,188
Non-current liabilities						
Borrowings	1,457,917	2,719,404	3,172,381	442,847	3,367,459	470,079
Asset retirement obligations	335,693	358,178	390,795	54,553	393,799	54,972
Deferred tax liabilities	459,456	409,578	511,040	71,338	503,322	70,261
Deferred income.	28,254	20,804	15,437	2,155	12,202	1,703
Senior notes	4,204,158	4,324,193	4,469,815	623,962	4,397,466	613,863
Other long-term payables	887,028	1,093,088	1,121,281	156,525	1,281,464	178,885
	7,372,506	8,925,245	9,680,749	1,351,380	9,955,712	1,389,763
Total liabilities	16,847,502	18,734,900	22,473,436	3,137,171	21,454,629	2,994,951
Net current liabilities.	(2,624,887)	(1,999,589)	(3,560,363)	(497,008)	(1,694,582)	(236,555)
Total assets less current liabilities .	20,764,257	23,093,195	23,497,234	3,280,087	24,287,067	3,390,345
Capital and reserves						
Share capital	141,837	141,837	142,261	19,859	142,261	19,859
Share premium and reserves	11,889,516	12,141,608	12,125,916	1,692,713	12,578,245	1,755,855
Equity attributable to owners						
of the Company	12,031,353	12,283,445	12,268,177	1,712,572	12,720,506	1,775,714
Non-controlling interests.	1,360,398	1,884,505	1,548,308	216,135	1,610,849	224,866
Total equity	13,391,751	14,167,950	13,816,485	1,928,707	14,331,355	2,000,580
Total equity and liabilities	30,239,253	32,902,850	36,289,921	5,065,878	35,785,984	4,995,533

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with “Selected Consolidated Financial Data” and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

Our historical results do not necessarily indicate our performance for any future periods. The discussion and analysis of our financial condition and results of operations contain forward-looking statements that involve risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this Offering Memorandum.

OVERVIEW

We are one of the leading cement producers in Shaanxi Province, the People's Republic of China, with a leading market position in Southern Shaanxi and Eastern-Central Shaanxi as well as presence in Guizhou and Sichuan Provinces. Since 2020 we have also been expanding overseas and now have a growing presence in Sub-Saharan Africa and Central Asia, with production capacity in Ethiopia, Mozambique, the Democratic Republic of Congo (the “DRC”), Rwanda, Tanzania and Uzbekistan. We are also constructing a production facility in Uganda. In China, our cement is principally sold under the trademarks “尧柏” (Yao Bai) and “尧柏水泥” (Yaobaishuini), among others, and is primarily used in the construction of infrastructure projects such as highways, bridges, railways and roads, as well as residential buildings, hydroelectric power stations, water conservancy and water transfer projects. In our overseas markets, our cement is sold under the trademarks “National Cement” in Ethiopia, “GLC” in the DRC, “CHEETAH” in Rwanda, “DUGONGO” in Mozambique, “QILIN Cement” in Tanzania, “YAOBAI CEMENT” in Uganda and “WEST” in Uzbekistan. Our ordinary shares have been listed on The Stock Exchange of Hong Kong Limited since August 2010.

Our cement products primarily include Ordinary Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above and Composite Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above. Ordinary Portland Cement has relatively strong initial compressive strength and more resistance to abrasion and is typically used in construction projects, such as roads and bridges. Composite Portland Cement has a lower compressive strength than Ordinary Portland Cement and is commonly used for general industrial and civil buildings. We also produce high quality and special cement products such as Pozzolan Portland Cement, masonry cement and oil well cement tailored to our customers' needs.

We have recently embarked on a significant restructuring of our assets as we continue to pursue growth in new overseas markets. In January and May of 2025, we announced our agreements to acquire (the “CILU Acquisition”) an aggregate of 98.77% equity interest in Cimenterie de Lukala SA (“CILU”) that owns and operates an integrated cement plant in Lukala, which is near Kinshasa, the capital city of the DRC. This acquisition is currently expected to close by the end of 2025. In August 2025, we completed the disposal of our entire operations in Xinjiang Province, comprising four plants totaling 3.5 million tons of cement production capacity.

Since 2020, we have expanded our production into overseas markets in Sub-Saharan Africa and Central Asia, supplying its cement products to infrastructure, urban and rural development markets in these continents. We have built a significant presence in the Ethiopia cement market, have one of only two operational clinker plants in Mozambique (with another plant under construction in the north of the country) and have built the largest clinker and cement operation in the Great Lakes region of the DRC, Rwanda and western Tanzania, as well as a production facility in Uzbekistan. Our Group defines our Great Lakes operation as two separate markets. Firstly, we have the area surrounding our Great Lakes Plant in Kalemie, Eastern DRC, which includes sales into Eastern and central DRC, Rwanda, Burundi and a small part of the west of Tanzania around Kigoma. Secondly, there is the area around DRC's capital city Kinshasa, where we are due to finalize the purchase of the CILU plant. This region is over 2,400 km by road from our Great Lakes Plant in Kalemie and is therefore a wholly separate market. Following the completion of the CILU Acquisition, we will extend our market coverage into the west of the DRC, becoming the largest producer in the DRC. We also aim to complete the construction of our cement and grinding capacity in Uganda in the first half of 2026. This market is a natural geographical extension of the Great Lakes region and we believe this new capacity will help us to strengthen our position as one of Sub-Saharan and East Africa's major cement producers.

As of June 30, 2025, we had a total annual cement production capacity in China of 28.5 million tons, comprising 17 cement production lines, with 21.7 million tons in Shaanxi Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province and 3.5 million tons in Xinjiang (which was disposed of in August 2025). In our overseas markets, we had a total annual cement production capacity (including grinding capacity) of 13.6 million tons, comprising 7 production lines, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique and 1.5 million tons in the DRC, as well as 1 million tons of cement grinding capacity in Rwanda and another 300,000 tons of grinding capacity in Tanzania. Subject to completion of the CILU Acquisition and additional capital expenditure investment and implementation of technical modifications, it is expected that CILU will have a designed total annual production capacity of 1.2 million tons, and our total annual cement production capacity outside of the PRC is therefore expected to increase to 14.8 million tons. In addition, we have a further 4.5 million tons of cement production capacity currently under construction in Mozambique and Uganda.

In recent years, we have supplied cement to a number of key infrastructure projects, including Yunan-Yulin-Eerduosi High-Speed Railway, the Huaneng Power — Coal Transportation Railway, the Huyi to Zhouzhi to Meizian Expressway, the Provincial Highway 209, the G210 Reconstruction and Expansion (Linton to East Third Ring Road), the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II and Phase III), the Beijing to Kunming Expressway, the West 10 High Speed Railway and the Lanzhou-Hanzhong-Shiyan High Speed Railway. Our large projects, such as Xi'an to Shiyan High-Speed Railway has consumed over 840,000 tons of cement in 2024 and 350,000 tons of cement in the first half of 2025 and Xi'an to Ankang to Chongqing High-Speed Railway has consumed 465,000 tons of cement in the first half of 2025.

Our operations in China have continued to be affected by a relatively subdued construction market due to low levels of infrastructure and real estate demand growth. We experienced a downward trend in the average selling prices in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang Provinces in 2023 and 2024 but due to supply side discipline with peak-shifting production halts and increased environmental controls in limiting excessive oversupply, we had some modest improvements in average selling prices in China in the six months ended June 30, 2025 compared to the same period in 2024. We have also continued to implement efficiency enhancements and cost-control measures, and maintained costs at relatively stable levels in recent years. On the other hand, our operations in the newer overseas markets have experienced significant growth. Cement has been in undersupply in many of these markets, and our new capacity since 2020, either acquired and upgraded or constructed, has met increasing cement and clinker demand for primarily construction purposes. Our sales volumes in Mozambique, the DRC and Ethiopia have increased significantly since 2020 and their greater margin contribution has resulted in healthy overall margins for us. In the first half of 2025, while our overseas cement and clinker sales volumes amounted to 38.5% of our total sales volumes, our overseas markets accounted for approximately 43% of our total revenue and 57% of our gross profit.

We are committed to working towards the highest industry standards with regard to the environment and emission controls. All of our production facilities, in China and overseas, are modern plants employing NSP technology. The plants are situated in close proximity to their respective limestone quarries and, where necessary, limestone conveyor belts have been constructed in order to minimize transportation emissions. We also use desulfurized gypsum and construction waste as raw material inputs in some of our cement products. Fly ash from power plants and slag from iron and steel plants are also recycled as inputs into some of our cement products. Residual heat recovery systems have been installed at 11 out of 17 of our production lines in China. These systems reduce the electricity consumption at each line by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production. In 2024, these systems generated 341 million kWh of power, saving 136,300 tons of coal consumption and reducing carbon dioxide emissions by 339,800 tons. These measures have resulted in significant emission reductions. Since 2021, we have reduced our total NOx emissions from close to 7,000 tons to 4,000 tons, our sulphur dioxide emissions from 600 tons to under 300 tons and our PM emissions from 600 tons to close to 200 tons. Since 2022, energy consumption per ton of clinker produced has fallen from 916kWh to 853kWh and energy consumption per unit of revenue has fallen from 1.53 kWh/RMB to 1.29 kWh/RMB.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, we sold 19.3 million, 20.5 million and 20.0 million, 8.8 million and 10.8 million tons of cement and clinker, respectively. Our revenue increased from approximately RMB8,489.1 million for the year ended December 31, 2022 to approximately RMB9,020.9 million for the year ended December 31, 2023 and then decreased to approximately RMB8,344.9 million (US\$1,164.9 million) for the year ended

December 31, 2024. Our revenue increased from approximately RMB3,701.8 million for the six months ended June 30, 2024 to approximately RMB5,418.3 million (US\$756.4 million) for the six months ended June 30, 2025. Our profit before tax decreased from approximately RMB1,513.3 million for the year ended December 31, 2022 to approximately RMB954.3 million for the year ended December 31, 2023 and increased to approximately RMB1,090.2 million (US\$152.2 million) for the year ended December 31, 2024. Our profit before tax increased from approximately RMB648.5 million for the six months ended June 30, 2024 to approximately RMB1,063.8 million (US\$148.5 million) for the six months ended June 30, 2025. Our profit for the year attributable to owners of the Company decreased from approximately RMB1,214.7 million for the year ended December 31, 2022 to approximately RMB421.3 million for the year ended December 31, 2023 and increased to approximately RMB626.2 million (US\$87.4 million) for the year ended December 31, 2024. Our profit for the period attributable to owners of the Company increased from approximately RMB386.9 million for the six months ended June 30, 2024 to approximately RMB748.3 million (US\$104.5 million) for the six months ended June 30, 2025.

SIGNIFICANT FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Growth in the Construction Industry in Shaanxi Province, particularly in Government Infrastructure Projects

We have historically derived a majority of our revenue from sales in Shaanxi Province. Economic trends in Shaanxi Province have a significant impact on all aspects of our operations, including the demand for and pricing of our products, the availability and costs of raw materials, costs of energy supply, labor costs and other operating expenses. Demand for our cement products is particularly sensitive to the level of construction activities in Shaanxi Province. Historically construction activity in our areas of operation including Shaanxi, Guizhou and Sichuan Provinces have been partially reliant on PRC Government-led development initiatives. These include the “Western Development Plan” and the “Silk Road Economic Development Plan” in Western China, the “Guanzhong-Tianshui Economic Zone Development Plan” (關中 — 天水經濟區發展規劃) encompassing the Shaanxi Province regions of Xi’an, Xianyang, Tongchuan, Weinan, Baoji as well as some counties of Shangluo City, the Xi-Xian New Area, covering 882 square kilometers, as a national development new area to accelerate the development of Xi’an and surrounding urban areas, and the “Outline for National Comprehensive Transport Network Planning” (國家綜合立體交通網規劃綱要) under which Xi’an is recognized as a core city in the Silk Road Economic Belt development and to be developed as a hub for international transport including freight and railway between 2021 and 2035. These development policies have and will continue to benefit infrastructure development in our areas of operation and thus the local cement market.

In recent years, the PRC’s construction industry has been relatively subdued due to lower levels of infrastructure and real estate demand growth, which has led to slower cement demand in Shaanxi Province and our other areas of operation in the country. In 2024, Shaanxi Province’s Fixed Asset Investment (FAI) and Real Estate Development Investment (RDI) increased by 5.2% and 0.5% respectively. In the six months ended June 30, 2025, Shaanxi Province FAI grew by 5.6% compared with 2.8% for the PRC as a whole and RDI grew at 0.9% compared with negative 11.2% for the PRC as a whole. Despite outperforming the rest of the country, cement demand in Shaanxi has remained lackluster, mainly supported by ongoing government infrastructure projects, such as the Xi’an to Shiyan and the Xi’an to Ankang to Chongqing High Speed Railways, as well as numerous reservoirs and water projects, hydro power projects, highways and gas transmission projects, which have and are expected to continue to drive demand for our cement products.

This lower demand has resulted in a significant oversupply of cement capacity and building material products in the PRC and in our other areas of operation, leading to our and our competitors’ plants operating at reduced levels of capacity and the occurrence of price competition that reduce our margins. From time to time, both the PRC government and the major industry players have implemented seasonal production halts, increasingly stringent environmental controls and closure of older, less efficient capacity as a means of managing the supply-demand balance. Recently, the PRC Government has announced a number of anti-involution policies, targeting the reduction of overcapacity in key industries, including the cement industry. These include the “2024–2025 Energy Conservation and Carbon Reduction Action Plan” and “Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development”, issued by the State Council, which aim to limit production capacity and control production controls in the building materials business as well as promote low-carbon targets and capacity upgrades as a means to reduce capacity. These policies and their effect on the composition and structure of the building materials industry in the PRC and Shaanxi will have a significant impact on our operations.

Growth in the Construction Industry in Sub-Saharan Africa and Central Asia

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, we derived 15%, 31%, 38%, 36% and 43%, respectively, of our revenue from sales in Ethiopia, Mozambique, the DRC and other overseas countries.

Our largest overseas operations are in Ethiopia. In 2022, we acquired a 61.99% equity holding in the National Cement Plant, located in Dire Dawa, with a capacity of 1.3 million tons of cement per year, which was subsequently upgraded and commissioned in November 2022. This plant is operated together with our local partner East Africa Mining Corporation PLC. In September 2024, we completed the construction of, and commissioned, our Lemi National Cement Plant located in Lemi, Amhara State, 130 km away from Ethiopia's capital city Addis Ababa with a daily production capacity of 10,000 tons of clinker. The production line was built by the new dry-process pre-decomposition production technology with an annual production capacity of 5 million tons of cement and is currently the largest and most modern single clinker production facilities in Africa. The Lemi National Cement Plant is owned and operated on the same terms as the National Cement Plant along with East African Mining Corp PLC. The market for the Lemi project extends to the regions of Addis Ababa, Amhara and Oromia. The major markets in such regions focus on key projects, such as new capital city construction and airport construction, as well as infrastructure, such as state-level highway and railway construction. In 2024 and the first half of 2025, we recorded cement average selling prices of approximately US\$90 per ton and US\$64 per ton, respectively, and sales volume of 949,000 (or 0.95 million) tons and 1.99 million tons, respectively.

Mozambique was our first point of entry into Sub-Saharan Africa. In December 2020, we finished the construction of, and commissioned, our Dugongo Cement Plant located 70 km from Mozambique's capital city Maputo with a daily capacity of 5,000 tons of clinker and an annual capacity of 2 million tons of cement. We have a 60% equity holding in the plant along with local investors. The Dugongo plant benefits from a plentiful limestone supply and transportation links and markets its products into the Maputo area and central Mozambique, also exporting to South Africa, Eswatini and Madagascar via sea transportation. Mozambique has a strong demographic and urbanization profile and longer-term growth in the country is underpinned by the expected development of large offshore liquified natural gas (LNG) reserves. The Dugongo Cement Plant is one of only two clinker production lines in the country and the lack of clinker supply in the country has led to clinker sales to third party grinding stations making up a sizable amount of the Dugongo Cement Plant's sales. For the year ended December 31, 2024, we sold 1.52 million tons of cement and clinker at an average selling price of US\$86 per ton. For the six months ended June 30, 2025, we sold 960,000 tons of cement and clinker at an average selling price of US\$85 per ton, as a result of strong construction activity in the capital city Maputo.

Our operations in the Great Lakes region comprises the Great Lakes Cement Plant, a 3,500-tons per day clinker and 1.5 million tons per year cement facility in the city of Kalemie in the east of the DRC on the shore of Lake Tanganyika, a 1.0-million tons per year grinding mill in neighboring Rwanda and a 300,000 tons per year grinding mill in western Tanzania on the other side of Lake Tanganyika. All of this capacity is 100% owned by our Group. The Great Lakes Plant was commissioned in December 2022 and is equipped with limestone mines, coal mines, power stations and wharfs for the transshipment of clinker to the Rwanda and Tanzania grinding mills. The Rwanda and Tanzania grinding mills were commissioned in August 2023 and July 2025, respectively. Our cement sales cover Kalemie, the eastern DRC and Rwanda, Burundi and western Tanzania. These markets are relatively underdeveloped and there are no clinker production or large-scale cement production lines in the region. The Great Lakes region has some of the highest GDP growth rates in Sub-Saharan Africa but is also an area that has been affected by political instability and armed conflicts in 2024 and 2025. However, the area is resource-rich with large foreign currency resource exports, and Rwanda in particular benefits from significant foreign direct investment growth that has resulted in strong economic growth. There is a shortage of cement and clinker and a lot of demand has been historically satisfied by expensive clinker imports from Tanzania and further afield. For the year ended December 31, 2024, our Great Lakes region sales were affected by extreme weather and flooding leading to lower than expected sales of 598,000 tons at an average selling price of US\$144 per ton. For the six months ended June 30, 2025, our sales were adversely affected by the armed conflict in nearby Goma resulting in sales of 420,000 tons of cement at an average selling price of US\$125 per ton.

The Andijan Cement Plant in Uzbekistan is our first capacity in Central Asia, which was commissioned in May 2024. The New Generation II dry process cement production line has a daily production capacity of 6,000 tons and an annual cement production capacity of 2.5-million-tons. The plant is 77% owned by us, along with local Uzbek and Tajik partners. The plant is located in the Fergana valley, which is approximately 350 km from the capital city Tashkent, and markets its products

in the surrounding Andijan region, the capital city Tashkent and exports into Kyrgyzstan and Tajikistan. Uzbekistan has a number of large-scale infrastructure projects, including the China-Kyrgyzstan-Uzbekistan Railway, extensive road construction and over 3,000 mini hydro power stations, with housing also being a big demand driver. Future growth from resources such as oil and gas are also expected to stimulate increased economic growth and construction activity and the Fergana valley is the center of oil and natural gas production in the country. In the year ended December 31, 2024, we sold 440,000 tons of cement and clinker after our plant was commissioned in May 2024 at an average selling price of US\$28 per ton and in the six months ended June 30, 2025, we sold 801,000 tons of cement and clinker at US\$27 per ton.

Production Capacity

Our results of operations depend on our ability to fulfill customer orders, which in turn depends in part on our production capacity. Our annual cement production capacity increased from 33.3 million tons as of December 31, 2022 to 40.8 million tons as of June 30, 2025. On August 15, 2025, we completed the sale of 3.5 million tons of capacity in Xinjiang Province, China resulting in a total capacity of 37.3 million tons. In connection with our expansion, we incurred approximately RMB3,679.0 million, RMB2,950.9 million, RMB2,224.6 million (US\$310.5 million), RMB1,397.6 million RMB1,435.5 million (US\$200.4 million) in capital expenditures for, the purchase of property, plant and equipment, purchase of mining rights, purchase of right to use assets, purchase of intangible assets and acquisition of subsidiaries, net of cash acquired for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. We expect to also receive a total of approximately US\$208 million from the sale of the Xinjiang Province assets once all of the consideration payment installments have been made.

In Mozambique, we are in the process of constructing a new production line in Nampula Province (the “Dugongo Nampula Plant”) that is expected to be completed by the end of 2026 with a designed capacity of 3,500 tons per day of clinker or an annual production capacity of 1.5 million tons of cement. The Dugongo Nampula Plant will be 80% owned by our Group, along with local investors. The plant is located in the Nampula region, an area with strong transportation links to surrounding countries, such as Malawi and Tanzania. We believe this plant will benefit from the LNG offshore exploration and development in the Rovuma basin off the northern coast, which should contribute to economic growth in the country in the medium term. Mozambique is estimated to have 65 trillion cubic feet of recoverable gas reserves, according to Mozambique LNG Project. There are a number of very large LNG projects backed by international oil companies, including Total, Exxon Mobil and ENI, that have either been recently approved by the government or are expected to begin construction in 2026. These projects are central to the country’s economic growth strategy and likely to stimulate increased construction activity and cement demand.

We are also in the process of constructing a new production line in Moroto Province, northeastern Uganda, which is expected to be commissioned in 2026. Having managed to secure a significant limestone reserve in the country, we are building a 6,000 tons per day clinker plant in Moroto, north west Uganda, as well as an accompanying 1.5 million tons per year grinding station in Jinja in the south on the shore of Lake Victoria, 80 km from Uganda’s capital city Kampala. This new capacity is expected to amount to approximately 3 million tons of annual cement production capacity. Historically, there was no clinker production line in this region and the cement demand was fulfilled by imports from Kenya. The construction of this plant is expected to fulfill the supply shortage in this region. Currently, the average selling price of cement in the region is approximately US\$170 per ton.

Pricing

The prices of our products are primarily affected by the supply of, and demand for, cement in the regions where we operate. The average selling prices per ton of our cement products were approximately RMB358, RMB360, RMB338, RMB344 and RMB359 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

Cement is a bulky product and transportation costs relative to the average selling price is high. This results in the cement industry being fragmented into regional geographic areas rather than a single national or provincial market selling area. Due to the lack of product differentiation, the prices that we charge our customers in each individual market are not likely to be materially different from the prices charged by other producers in the same market. The selling prices of our cement in different markets vary depending on, among other things, regional supply and demand conditions. As a result, our overall average selling price is affected by the proportion of our revenues generated from different markets.

In our PRC markets, the average selling price of our cement is subject to seasonal fluctuations. Periodically during the winter, many construction projects are suspended due to cold weather or the Chinese New Year holidays, which are typically during January or February. We generally offer our cement products at discounted prices in the winter season in order to attract customers and to maintain our market share. Prices of our cement products typically increase as demand rises after winter and the Chinese New Year holidays. In our overseas markets, our sales in Ethiopia are typically at their lowest during the Muslim Ramadan fasting period, which lasts for one month during the first quarter until 2029 and the fourth quarter from 2030 until 2037. Our peak period in Ethiopia is usually in the second quarter when the weather conditions are at their best. While not seasonal, other areas in our Sub-Saharan African markets may be affected by extreme weather conditions, such as the flooding that occurred in our Great Lakes region markets during 2024. As a result of the seasonal fluctuations, our interim results may not be indicative of our business and financial performance for the year as a whole.

In our overseas market, we face a number of factors that affect our average selling price: (i) competition from other producers, leading to lower average selling prices for our products; (ii) fluctuations in foreign exchange rates which affect our profitability in our reporting currency, especially in Ethiopia, (iii) government policies, such as tariffs on our products that are imported into other countries which may affect our average selling price as well as the demand for our cement products, and (iv) political instability and regional conflict, especially in the DRC, which can have a significant effect on the demand and supply of our products in these regions.

Product Mix

Our results of operations are affected by our product mix. We sell different grades of cement with various physical characteristics at different selling prices. In some of our markets, mainly in Mozambique but also in Uzbekistan, we also sell clinker, which is an intermediate product, to third party cement grinding mills.

The average selling price of our high-grade cement is higher than the average selling price of our low-grade cement. Our high-grade cement was sold at an average price per ton of approximately RMB366, RMB376, RMB315, RMB318 and RMB361 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively, while our low-grade cement was sold at an average price per ton of approximately RMB323, RMB272, RMB395, RMB413 and RMB356 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Our clinker was sold at an average price per ton of approximately RMB382, RMB398, RMB418, RMB451 and RMB366 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. As high-grade cement has higher strength, it is primarily used in larger urban markets and infrastructure projects while low-grade cement is primarily used in rural residential construction markets. We sold approximately 15.3 million tons, 16.6 million tons, 13.8 million tons, 6.0 million tons and 6.4 million tons of high-grade cement in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively, which represented 79.5%, 80.8%, 68.8%, 68.4% and 59.5% of our total sales volume and contributed to 66.1%, 69.2%, 52.0%, 51.4% and 42.8% of our total revenue for the relevant periods.

Cost of Coal, Electricity and Limestone

The results of our operations are significantly affected by the cost of coal, electricity and limestone.

The cost of coal is one of the largest components of our total cost of sales, and represented approximately 32.5%, 28.0%, 25.7%, 25.6% and 22.6% of our cost of sales of cement for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Fluctuations in the price for coal have a direct impact on our results of operations. Coal costs in the PRC have steadily decreased since 2022 as a result of the PRC government's zero import tax policy and increased domestic supply as part of its guaranteed coal supply policy. Coal cost in our overseas operations have also decreased in recent years, due to the increased use of advanced equipment that reduces coal consumption levels in our production process and the adoption of domestic, low-priced and low-calorific coal to replace the more expensive imported high-priced and high-calorific value coal and a subsequent reduction in transport costs. Our GLC plant utilizes coal from our own mines in close proximity to the plant instead of using imported raw coal. Our average cost of coal per ton was approximately RMB1,034, RMB879, and RMB745, RMB764 and RMB659 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. In the PRC, our average cost of coal per ton was approximately RMB1,063, RMB819, and RMB738, RMB749 and RMB590 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024

and 2025, respectively. In our overseas markets, our average cost of coal per ton was approximately RMB808, RMB1,106, and RMB759, RMB801 and RMB751 in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

Our operations also require a significant amount of electricity. The cost of electricity represented approximately 9.5%, 9.4%, 9.3%, 9.2% and 8.0% of our total cost of sales for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. In the PRC, electricity prices have also steadily decreased since 2022 as a result of lower coal prices. In our overseas markets, the cost of electricity varies depending on the amount of supply in the different countries of operation, and if we have our own electricity generation facilities, but has generally been on a downward trend since 2023. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our average electricity purchase prices per KWh were RMB0.45, RMB0.41, RMB0.37, RMB0.40 and RMB0.33, respectively. In the PRC, our electricity purchase prices per KWh over the same period were RMB0.42, RMB0.40, RMB0.38, RMB0.39 and RMB0.37, respectively. Overseas, our electricity purchase prices per KWh over the same period were RMB0.73, RMB0.46, RMB0.36, RMB0.44 and RMB0.28, respectively.

Limestone is the main raw material in the production of cement and all of our plants are located close to their sources of limestone, with quarries that have significant reserves. In our PRC markets, limestone costs have risen over time due to increased diesel and electricity costs, increased excavation outsourcing costs, more difficult mining conditions and stricter laws and regulations governing the excavation of the limestone. In our overseas markets, limestone costs have declined steadily as our excavation economies of scale have lowered our average fixed costs. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our average costs of limestone per ton used in cement production were RMB18.9, RMB19.8, RMB21.9, RMB19.6 and RMB18.8, respectively. In the PRC, our average costs of limestone per ton were RMB17.0, RMB18.3, RMB19.9, RMB16.1 and RMB17.9, respectively, over the same period. In our overseas operations, our average costs of limestone per ton over the same period were RMB23.7, RMB22.6, RMB21.8 RMB24.1 and RMB19.2, respectively.

Any significant increase in the prices of coal, electricity or limestone could have a significant impact on our costs of sales, which in turn could have a material adverse effect on our business, financial condition and results of operations if we are unable to pass on some or all of such increased costs in the form of higher prices to our customers.

New Production Facilities

Our revenue, cost of sales, gross profit margin and our inventories are affected by additions of production facilities. Our new production facilities increased our working capital requirements primarily in the form of inventories. The addition of new production facilities in 2022, 2023, 2024 and the first half of 2025 resulted in the increase of our inventories by approximately RMB427.9 million in 2022, RMB194.3 million in 2023 and RMB310.9 million (US\$43.4 million) in 2024, which constituted the main portion of the working capital related to the new production facilities. We did not have any addition of new production facilities in the six months ended June 30, 2025.

Utilization rates for our production lines for the year ended December 31, 2024 and the six months ended June 30, 2025 are set forth in the table below. This does not include the Xinjiang plants that we sold in August 2025.

Production Line	Utilization Rate	
	Year ended December 31, 2024 ⁽¹⁾	Six months ended June 30, 2025
China		
Danfeng		
Line 1	37%	31%
Line 2	106%	96%
Hancheng.	36%	26%
Fuping.	42%	30%
Pucheng.	83%	67%
Lantian ⁽²⁾	n/a	n/a
Mianxian	99%	92%
Shifeng	64%	45%

Production Line	Utilization Rate	
	Year ended December 31, 2024 ⁽¹⁾	Six months ended June 30, 2025
Xixiang	61%	57%
Xunyang	75%	67%
Yang xian	53%	53%
Zhen'an	84%	72%
Tongchuan	33%	21%
Jianghua ⁽²⁾	n/a	n/a
Yaowangshan	23%	32%
Kangding	7%	
Africa		
Dugongo	76%	96%
GLC	32%	31%
NCSC	73%	75%
Lemi	48%	60%
WIH Rwanda	23%	38%
Tanzania Cement ⁽³⁾	n/a	n/a
Central Asia		
Andijan	35%	64%

Notes:

- (1) The utilization rate is derived on the basis of actual production volume divided by pro-rata annual production capacity of each production line for the actual number of months in the year ended December 31, 2024 and the six months ended June 30, 2025 during which the production line was in operation. The annual cement production capacity figures are calculated on the basis of a 310-day year at a clinker/cement ratio of 0.7. Each type of cement has its specific chemical features and therefore a different clinker/cement ratio ranging from 0.25 to 0.95. The commonly used industrial benchmark average ratio is 0.7, and we have been using 0.7 clinker/cement ratio to derive our cement production capacity.
- (2) These production lines were not utilized because they were closed as part of the capacity replacement for the new production line at Tongchuan in 2021.
- (3) Tanzania Cement production line commenced operation in July 2025. Thus, no utilization rate is presented for both year/period.

PRC & Overseas Government Tax Incentives

Our net profit is affected by the tax refunds, tax exemptions, financial subsidies and preferential tax treatments that we enjoy. We are entitled to VAT refunds for cement products that use a certain percentage of recycled materials as raw materials, such as slag and flyash. Some of our PRC subsidiaries are entitled to preferential enterprise income tax rates (as compared with the standard rate at 25%) under the applicable rules, for example, a preferential rate of 15% under the relevant notes relating to development of the western region in the PRC and a concession rate of 20% for small and micro enterprises in Shaanxi Province.

Our overseas subsidiaries also enjoy certain tax incentives granted by the respective tax authorities. Our subsidiaries, Great Lakes Cement SAS in DRC, Lemi National Cement PLC in Ethiopia and Hong Xing Glass Congo SARL in Congo are currently enjoying 0% enterprise income tax rate up to December 2028, October 2028 and August 2028, respectively. Additionally, our subsidiaries Mozambique Dugongo Cement (Nampula) Co., Ltd. in Mozambique and WIH Cement Uganda — SMC Limited in Uganda, that are currently under construction, have been granted 0% enterprise income tax rate of 5 years and 10 years, respectively, from the date they commence operation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

In the application of our accounting policies, our directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

- Control is transferred over time and revenue is recognized 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 our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Property, Plant and Equipment

Property, plant and equipment 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.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2 *Inventories*. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When we make payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets”

in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

Mining assets include primarily the following:

(a) Stripping costs

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

(b) Asset retirement obligations

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

Financial assets and liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when our group entity becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized and derecognized 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 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss, or FVTPL) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

All financial liabilities including borrowings, trade and other payables, senior notes and dividend payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liabilities and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments

(including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Goodwill

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

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

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

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When we dispose of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained, unless we can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

Mining Rights

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

Impairment Losses on Property, Plant and Equipment, Investment Properties, Right-of-Use Assets, Mining Rights and Intangible Assets Other Than Goodwill

At the end of the reporting period, we review the carrying amounts of its property, plant and equipment, investment properties, right-of-use assets, mining rights and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and 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, investment properties, right-of-use assets, mining rights and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, we estimate the recoverable amount of the CGU to which the asset belongs. In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent basis

can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. 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 of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit of CGUs. An impairment loss is recognized immediately in profit or loss.

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

Inventories

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

Impairment of Financial Assets Subject to Impairment Assessment under IFRS 9

We perform impairment assessment under expected credit loss, or ECL, model on financial assets (including trade and other receivables, loan receivables, other deposits, bank balances and restricted/pledged bank deposits) which are subject to impairment assessment under IFRS 9 *Financial Instruments*.

Trade receivables with significant and credit-impaired balances are assessed for ECL individually. In addition, we use practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. 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, or 12m ECL, represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on our 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. We always recognize lifetime ECL for trade receivables. For all other financial assets, we measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Generally, the ECL is the difference between all contractual cash flows that are due to us in accordance with the contract and the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition. Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, we take into consideration the following characteristics when formulating the grouping: past-due status; nature, size and industry of debtor; and external credit ratings where available. We recognize an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and loan receivables where the corresponding adjustment is recognized through a loss allowance account.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, 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 we expect, at the end of the reporting period, to recover or settle the carrying amount of our assets and liabilities.

SELECTED ITEMS OF STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Revenue

We derive most of our revenue from sales of our cement products (including high-grade cement, low-grade cement and clinker). Our revenue was approximately RMB8,489.1 million, RMB9,020.9 million, RMB8,344.9 million (US\$1,164.9 million), RMB3,701.8 million and RMB5,418.3 million (US\$756.4 million) for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

Our revenue in any given period is determined by our sales volume and average selling price of our cement products. We sold approximately 19.3 million tons, 20.5 million tons, 20.0 million tons 8.8 million tons and 10.8 million tons of cement products for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Our sales volume increased in 2023 as compared to 2022 due to our expansion into Mozambique, the DRC and Ethiopia, while our sales volume decreased slightly in 2024 as compared to 2023, mainly due to sales volume decreasing in the PRC. The increase in our sales volume in the six months ended June 30, 2025 as compared to the same period in 2024 was mainly driven by increasing sales volume from our overseas operation, especially driven by our Lemi plant, which was commissioned in late 2024. The average selling price for our cement products was approximately RMB358, RMB360, RMB338, RMB344 and RMB359 per ton for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. The average selling prices in recent periods. Our average selling prices in Shaanxi and Xinjiang have been experiencing a downward trend due to declining demand of cement in the PRC. However, intense competition from the supply side is still a factor affecting the average selling prices in Shaanxi, which continued to be balanced through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. The average selling prices for cement in Mozambique and Ethiopia have been increasing. We plan to continue to evaluate the market demand for our products and may from time to time adjust our product prices. Our revenue is also

affected by our product mix. The table below sets forth our revenue, sales volume and average selling price for each category of cement products we sold and the average selling prices of cement and cement products we sold during the periods indicated:

	For the year ended December 31,											
	2022				2023				2024			
	Average selling price	Sales volume	% of total sales volume	Revenue ⁽³⁾	Average selling price	Sales volume	% of total sales volume	Revenue ⁽³⁾	Average selling price	Sales volume	% of total sales volume	Revenue ⁽³⁾
	(RMB)	(Ton 000')		(RMB in million)	(RMB)	(Ton 000')		(RMB in million)	(RMB)	(Ton 000')		(RMB in million)
High-grade cement . . .	366	15,335	79.5	5,611.0	376	16,603	80.8	6,244.2	315	13,776	68.8	4,339.2
Low-grade cement. . . .	323	3,176	16.5	1,025.1	272	3,141	15.3	853.9	395	5,377	26.9	2,125.2
Clinker.	382	775	4.0	296.3	398	798	3.9	317.4	418	872	4.3	364.9
Total	n/a	19,306	100.0	6,932.4	n/a	20,542	100.0	7,415.5	n/a	20,025	100.0	6,829.3
Average selling price for cement ⁽¹⁾	358				360				338			
Average selling price for cement products ⁽²⁾	338				361				341			

	For the six months ended June 30,							
	2024				2025			
	Average selling price	Sales volume	% of total sales volume	Revenue ⁽³⁾	Average selling price	Sales volume	% of total sales volume	Revenue ⁽³⁾
	(RMB)	(Ton 000')		(RMB in million)	(RMB)	(Ton 000')		(RMB in million)
High-grade cement . . .	318	5,988	68.4	1,902.3	361	6,431	59.5	2,320.2
Low-grade cement. . . .	413	2,267	25.9	935.8	356	3,932	36.4	1,400.3
Clinker.	451	495	5.7	223.6	366	453	4.1	166.1
Total	n/a	8,750	100.0	3,061.7	n/a	10,816	100.0	3,886.6
Average selling price for cement ⁽¹⁾	344				359			
Average selling price for cement products ⁽²⁾	350				359			

Notes:

- (1) Average selling price for cement is calculated by dividing (i) our revenue derived from sales of high-grade and low-grade cement by (ii) the total sales volume of high-grade and low-grade cement. The average selling price is exclusive of VAT.
- (2) Average selling price for cement products is calculated by dividing (i) our total revenue derived from sales of high-grade cement, low- grade cement and clinker by (ii) the total sales volume of these three products. The average selling price is exclusive of VAT.
- (3) In addition to the revenue from cement and related products, our revenue also includes revenue from sales of commercial concrete and aggregates, provision of construction and installation service, sales of plastic bags, trading of cement-related raw materials, sales of gypsum and others in the aggregate amounts of RMB1,556.7 million, RMB1,605.4 million, RMB1,515.6 million, RMB640.1 million and RMB1,531.7 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

Our revenue derived from sales of high-grade cement increased from approximately RMB5,611.0 million in 2022 to approximately RMB6,244.2 million in 2023 and then decreased to RMB4,339.2 million (US\$605.7 million) in 2024. Our revenue derived from sales of high-grade cement increased from approximately RMB1,902.3 million in the six months ended June 30, 2024 to approximately RMB2,320.2 million (US\$323.9 million) in the six months ended June 30, 2025. The decrease in our revenue from sales of high-grade cement in 2024 compared to 2023 was primarily due to a decrease in sales volume resulting from the deterioration of the overall PRC market and decreases in the average selling price in 2024. The increase in our revenue from sales of high-grade cement in the six months ended June 30, 2025 compared to the same period in 2024 was primarily due to an increase in average selling price driven by improved investments in infrastructure projects in Shaanxi Province.

Our revenue derived from sales of low-grade cement decreased from approximately RMB1,025.1 million in 2022 to approximately RMB853.9 million in 2023 and then increased to RMB2,125.2 million (US\$296.7 million) in 2024. Our revenue derived from sales of low-grade cement increased from approximately RMB935.8 million in the six months ended June 30, 2024 to approximately RMB1,400.3 million in the six months ended June 30, 2025 (US\$195.5 million) in the six months ended June 30, 2025. The increase in our revenue from sales of low-grade cement in 2024 compared to 2023 and in the six months ended June 30, 2025 compared to the same period in 2024 was mainly due to the increased sales volume and average selling price mainly attributable to the commissioning of our Lemi plant in Ethiopia in the second half of 2024, which mainly sells low-grade cement.

Cost of Sales of Cement

	For the year ended December 31,											
	2022				2023				2024			
				Cost per ton of cement products sold				Cost per ton of cement products sold				Cost per ton of cement products sold
	Cost	% of cost of sales	% of revenue		Cost	% of cost of sales	% of revenue		Cost	% of cost of sales	% of revenue	
	(RMB'000)			(RMB)	(RMB'000)			(RMB)	(RMB'000)			(RMB)
Raw materials.	1,176,208	19.1	13.9	64	1,394,514	21.7	15.4	70	1,311,523	21.1	15.7	68
Coal.	2,004,938	32.5	23.6	108	1,792,495	28.0	19.9	91	1,599,625	25.7	19.2	83
Electricity.	585,929	9.5	6.9	32	604,007	9.4	6.7	31	574,447	9.3	6.9	30
Depreciation.	712,620	11.6	8.4	38	740,974	11.6	8.2	37	695,012	11.2	8.3	36
Labor costs.	272,802	4.4	3.2	15	326,675	5.1	3.6	17	301,201	4.8	3.6	16
Others.	317,288	5.1	3.7	17	358,332	5.6	4.0	18	352,927	5.7	4.2	19
Tota costs for cement.	5,069,785	82.2	59.7	274	5,216,997	81.4	57.8	264	4,834,735	77.8	57.9	252
Other product costs. . .	1,099,030	17.8	12.9	n/a	1,195,438	18.6	13.3	n/a	1,381,168	22.2	16.6	n/a
Total cost of sales⁽¹⁾	6,168,815	100.0	72.6	n/a	6,412,435	100.0	71.1	n/a	6,215,903	100.0	74.5	n/a

	For the six months ended June 30,							
	2024				2025			
				Cost per ton of cement products sold				Cost per ton of cement products sold
	Cost	% of cost of sales	% of revenue		Cost	% of cost of sales	% of revenue	
	(RMB'000)			(RMB)	(RMB'000)			(RMB)
Raw materials.	678,368	25.5	18.3	82	739,521	19.9	13.6	71
Coal.	679,108	25.6	18.3	82	838,696	22.6	15.5	80
Electricity.	243,552	9.2	6.6	30	297,138	8.0	5.5	28
Depreciation.	296,873	11.2	8.0	36	438,041	11.8	8.1	42
Labor costs.	118,867	4.5	3.2	14	131,447	3.6	2.4	13
Others.	138,522	5.2	3.7	17	234,595	6.3	4.3	22
Total costs for cement	2,155,290	81.2	58.1	261	2,679,438	72.2	49.4	256
Other product cost. . .	502,302	18.8	13.6	n/a	1,030,565	27.8	19.0	n/a
Total cost of sales⁽¹⁾	2,657,592	100.0	71.7	n/a	3,710,003	100.0	68.4	n/a

Note:

- (1) Difference between the amounts and the ones shown in the consolidated financial statements represents the sales tax in the respective period.

Our cost of sales of cement primarily consists of raw materials, coal, electricity, depreciation, labor and other costs used in cement production. The table above sets forth the major components of our cost of sales of cement (i) with each item expressed both as a percentage of cost of sales of cement and as a percentage of revenue from sale of cement, and (ii) by the cost per ton of cement products sold for the periods indicated. Our cost of raw materials primarily includes costs of limestone, gypsum, clay, flyash, pyrite cinder and slag. Our cost of raw materials was approximately RMB1,176.2 million, RMB1,394.5 million, RMB1,311.5 million (US\$183.1 million), RMB678.4 million and RMB739.5 million (US\$103.2 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. We engage third party contractors to excavate limestone from our limestone mines. We pay a fixed excavation fee for each ton of limestone excavated by the contractors and generally adjust the excavation fee at the beginning of each year based on, among other things, the market price, the excavation cost at the time of the adjustment and the actual limestone purchase amount

in the past year. Some agreements with the contractors contain an automatic price adjustment mechanism under which the excavation fee per ton is automatically adjusted upward if the increase in the costs of fuel exceeds a certain threshold. Of the limestone we used in our production in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, approximately 18.6 million, 23.7 million, 24.0 million, 11.1 million and 14.0 million tons, respectively, was excavated from our mines. We purchased approximately 2.2 million, 3.1 million, 2.6 million, 0.4 million and 0.7 million tons of limestone from third party limestone suppliers in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025.

The average cost of limestone used in our production was RMB18.9, RMB19.8, RMB21.9, RMB19.6 and RMB18.8 per ton in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. The average cost per ton we incurred for the limestone we excavated from our limestone mines for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025 was approximately RMB15.5, RMB14.9, RMB14.4, RMB13.9 and RMB14.7 per ton, respectively.

Our raw material cost per ton of cement products sold was approximately RMB64, RMB70, RMB68, RMB82 and RMB71 for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. The increase of the raw material cost per ton of cement products sold from 2022 to 2023 was primarily due to the increase in production cost due to tightening safety and environmental regulations on our suppliers. The decrease of the raw material cost per ton of cement products sold in 2024 was primarily due to the decrease in market demand due to introduction of new suppliers and more active negotiation with suppliers based on our market research.

Cost of coal and electricity

The cost of coal is one of the largest components of our cost of sales. Coal costs decreased in the PRC during the three years ended December 31, 2024 and the six months ended June 30, 2025, due to the relatively high level of supply and production of coal under the zero import tax policy and the increase in local coal supply under the guaranteed supply policy implemented by the PRC government. The coal price from overseas showed a downward trend during recent years, due to the use of advanced equipment that reduced the consumption rate of coal in our production process, and the adoption of domestic low-priced and low-calorific coal to replace the use of imported high-priced and high-calorific value coal, and our GLC plant has utilized its own coal mines instead of imported raw coal. Our cost of coal was approximately RMB2,004.9 million, RMB1,792.5 million, RMB1,599.6 million (US\$223.3 million), RMB679.1 million and RMB838.7 million (US\$117.1 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. In order to secure adequate coal supplies at competitive prices, we have established long-term relationships with various coal suppliers.

Our cost of coal per ton of cement products sold was approximately RMB108, RMB91, RMB83, RMB82 and RMB80 for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. The changes in the cost of coal per ton of cement products primarily reflected the changes in our average purchase price for coal during the three years ended December 31, 2024 and the six months ended June 30, 2025, which was consistent with the changes in the market price of coal.

The cost of electricity is also one of the largest components of our cost of sales. Our average electricity purchase price per KWh was approximately RMB0.45, RMB0.41, RMB0.37, RMB0.40 and RMB0.33 for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our cost of electricity was approximately RMB585.9 million, RMB604.0 million, RMB574.4 million (US\$80.2 million), RMB243.6 million and RMB297.1 million (US\$41.5 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

We anticipate that our energy supply and raw material costs will continue to account for a substantial portion of our cost of sales.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our total gross profit was approximately RMB2,181.8 million, RMB2,460.0 million, RMB1,973.8 million (US\$275.5 million), RMB973.2 million and RMB1,627.0 million (US\$227.1 million), respectively, and our gross profit margin was approximately 25.7%, 27.3%, 23.7%, 26.3% and 30.0%, respectively. Our gross profit margin increased during the year ended December 31, 2023 primarily because of the increase in both the average selling price and sales volume. Our gross profit margin decreased during the year ended December 31, 2024 due to the decrease in both the average selling price and sales volume. Our gross profit margin increased in the six months ended June 30, 2025 compared the same period in 2024 due to increase in both the average selling price and sales volume.

Other Income and Other Gains (Losses), net

The table below sets forth the breakdown of our other income and other gains (losses), net for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Other income							
Tax refund	99,253	97,041	90,918	12,692	45,366	27,515	3,841
Government grant, including release from deferred income	349,703	41,080	55,557	7,755	15,224	24,146	3,371
Dividend income from equity investment at FVTPL	2,956	1,897	1,590	222	1,087	1,427	199
Others	—	2,701	—	—	—	—	—
Sub-total	451,912	142,719	148,065	20,669	61,677	53,088	7,411
Other (Losses) Gains, net							
Fair value change on equity at FVTPL	(69,588)	(55,465)	(911)	(127)	2,360	9,882	1,379
Impairment loss recognized in respect of goodwill	—	(69,587)	(7,644)	(1,067)	(7,644)	—	—
(Loss) gain on disposal of mining rights . .	—	(2,306)	4,087	571	—	—	—
Net foreign exchange gains (losses)	37,058	45,601	54,885	7,662	71,214	(19,794)	(2,763)
Loss on derecognition of a subsidiary	—	(255,651)	—	—	—	—	—
Gain on acquisition of a subsidiary	—	—	—	—	—	66,300	9,255
Gain on disposal of a subsidiary	—	—	2,880	402	2,880	—	—
Gain on deemed disposal of a joint venture .	—	10,000	—	—	—	—	—
(Loss) gain on disposal of property, plant and equipment	(11,714)	5,310	3,761	525	2,521	(919)	(128)
Fair value change on investment in entrusted product	5,736	—	—	—	—	—	—
Gain on modification of other long-term payables	—	—	—	—	—	83,211	11,616
Hyperinflation restatement	—	47,567	122,402	17,087	101,292	—	—
Other (losses) gains	(13,946)	(3,137)	3,024	421	10,517	1,956	273
Sub-total	(52,454)	(277,668)	182,484	25,474	183,140	140,636	19,632
Total	399,458	(134,949)	330,549	46,143	244,817	193,724	27,043

Other income primarily includes VAT refunds and other government grants. We enjoy VAT refunds for recycling industrial waste as part of our production materials. These tax refunds are recurring in nature as we continue to use qualified recycled materials in our production. During the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, these tax refunds amounted to approximately RMB99.3 million, RMB97.0 million, RMB90.9 million (US\$12.7 million), RMB45.4 million and RMB27.5 million (US\$3.8 million), respectively. We submit our tax assessment and refund application on a monthly basis and the tax authority usually pays us the tax refunds by cash in the month following our application. Government grants are non-recurring in nature and primarily include employment stabilizing subsidies in terms of refund of contribution to unemployment insurance funds, subsidies for development of recycling industry and technology innovation, which together amounted to approximately RMB349.7 million, RMB41.1 million, RMB55.6 million (US\$7.8 million), RMB15.2 million and RMB24.1 million (US\$3.4 million), respectively for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025. The “clean” project investment incentive primarily covers energy efficient and emission reduction technologies such as our residual heat recovery systems. In 2021, the Government approached one of our subsidiaries to close its existing manufacturing plant and received a government grant of RMB308.5 million in 2022 upon completion of the demolition of the plant.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs, marketing expenses and transportation expenses. The primary duties of our sales personnel include pre-sales follow-up and information collection, support in settlement and payment collection, continuous after-sales follow-up and customer return visits. They strive to meet monthly and annual sales targets and are also responsible for monitoring international and domestic market situation, handling customer complaints, conducting customer satisfaction surveys, and providing timely feedback.

Our selling and marketing expenses were approximately RMB75.2 million, RMB132.4 million and RMB131.8 million (US\$18.4 million), RMB86.6 million and RMB162.1 million (US\$22.6 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. As a percentage of revenue, our selling and marketing expenses were approximately 0.9% in 2022, 1.5% in 2023, 1.6% in 2024, 2.3% in the first half of 2024 and 3.0% in the first of 2025.

Administrative Expenses

Our administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization and government levies. Our administrative expenses were approximately RMB604.8 million, RMB796.4 million, RMB702.3 million (US\$98.0 million), RMB318.4 million and RMB354.3 million (US\$49.5 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our administrative expenses as a percentage of revenue were approximately 7.1%, 8.8%, 8.4%, 8.6% and 6.5%, for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Other Expenses

Other expenses primarily included the donations and legal and professional fees and the provision for administrative penalty. Our other expenses were approximately RMB64.9 million, RMB200.4 million, RMB101.7 million (US\$14.2 million), RMB36.2 million and RMB49.2 million (US\$6.9 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Other Gains and Losses, Net

Other gains and losses primarily include fair value change on equity at FVTPL, impairment loss recognized in respect of goodwill, net foreign exchange gains or losses, loss on derecognition of a subsidiary, gain on deemed disposal of a joint venture, gains or losses on disposal of property, plant and equipment, hyperinflation restatement and others.

We had other net losses of RMB52.5 million and RMB277.7 million for the years ended December 31, 2022 and 2023, respectively, and other net gains of RMB182.5 million (US\$25.5 million) for the year ended December 31, 2024, RMB183.1 million in the six months ended June 30, 2024 and RMB140.6 million (US\$19.6 million) in the six months ended June 30, 2025.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss model, net of reversal, includes impairment losses recognized or reversed on trade receivables, loan receivables and other receivables. Our impairment losses under expected credit loss model, net of reversal, were RMB68.9 million, RMB18.5 million, RMB54.9 million (US\$7.7 million), RMB51.8 million for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024, respectively. We recorded a reversal of impairment loss of RMB57.0 million (US\$8.0 million) for the six months ended June 30, 2025.

Interest Income

Interest income primarily includes interest income from loan receivables in connection with our financial leasing business, amount due from a joint venture and bank deposits. Our interest income was RMB168.9 million, RMB88.2 million, RMB69.0 million (US\$9.6 million), RMB24.6 million and RMB24.0 million (US\$3.4 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Finance Costs

Finance costs primarily include interest on bank borrowings, interest on the 2021 Notes and MTN Notes and interest on other borrowings after adjusting for the capitalized interest on construction projects. Our finance costs were approximately RMB416.6 million, RMB307.8 million, RMB294.7 million (US\$41.1 million), RMB102.7 million and RMB272.3 million (US\$38.0 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Capitalized interest was approximately RMB110.3 million, RMB295.3 million, RMB337.6 million (US\$47.1 million), RMB190.1 million and RMB35.6 million (US\$5.0 million) for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025.

Income Tax Expense

The table below sets forth our income tax expense for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Current tax	292,688	356,831	253,575	35,398	135,766	165,834	23,150
(Over) under provision in prior years.	(13,981)	(40,868)	13,470	1,880	3,834	8,031	1,121
Deferred tax	(109,523)	(47,355)	(4,718)	(659)	13,782	(5,164)	(721)
Income tax expense	169,184	268,608	262,327	36,619	153,382	168,701	23,550

Our income tax expense primarily consists of current tax expenses in the PRC, Ethiopia, Hong Kong, Mozambique, withholding tax and tax in other jurisdictions, under (over) provision in prior years, and deferred tax expenses. We recorded income tax expense of RMB169.2 million, RMB268.6 million, RMB262.3 million (US\$36.6 million), RMB153.4 million and RMB168.7 million (US\$23.5 million) respectively, for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025. Our effective income tax rates were approximately 11.2%, 28.1%, 24.1%, 23.7% and 15.9% for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our effective income tax rates increased in 2023 and 2024 mainly due to the acquisition of a subsidiary in Ethiopia in late 2022 whose tax rate was 30% and which contributed a significant portion of our profit before tax in such period. Our effective income tax rate decreased during the six months ended June 30, 2025 primarily due to the commission of our cement plant in Lemi in Ethiopia in late 2024, which is currently enjoying zero tax rate and contributed a significant portion of our profit before tax during the first half of 2025.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Revenue	8,489,135	9,020,901	8,344,946	1,164,910	3,701,812	5,418,323	756,369
Cost of sales	(6,307,305)	(6,560,882)	(6,371,161)	(889,380)	(2,728,580)	(3,791,314)	(529,247)
Gross profit	2,181,830	2,460,019	1,973,785	275,530	973,232	1,627,009	227,122
Other income	451,912	142,719	148,065	20,669	61,677	53,088	7,411
Selling and marketing expenses	(75,197)	(132,386)	(131,782)	(18,396)	(86,583)	(162,132)	(22,633)
Administrative expenses	(604,845)	(796,404)	(702,267)	(98,033)	(318,435)	(354,315)	(49,460)
Other expenses	(64,937)	(200,429)	(101,700)	(14,197)	(36,223)	(49,178)	(6,865)
Other gains and losses, net	(52,454)	(277,668)	182,484	25,474	183,140	140,636	19,632
Impairment losses under expected credit loss mode, net of reversal	(68,885)	(18,489)	(54,903)	(7,664)	(51,759)	57,047	7,963
Share of results of an associate and a joint venture	(6,407)	(3,403)	2,137	298	1,550	(56)	(8)
Interest income	168,898	88,189	69,046	9,638	24,631	24,010	3,352
Finance costs	(416,616)	(307,839)	(294,683)	(41,136)	(102,713)	(272,266)	(38,007)
Profit before tax	1,513,299	954,309	1,090,182	152,183	648,517	1,063,843	148,507
Income tax expense	(169,184)	(268,608)	(262,327)	(36,619)	(153,382)	(168,701)	(23,550)
Profit for the year/period	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Other comprehensive income (expense) for the year/period							
Item that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	(35,713)	(61,369)	(1,147,913)	(160,242)	25,649	(204,842)	(28,595)
Total comprehensive income (expense) for the year/period	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Profit for the year/period attributable to:							
Owners of the Company	1,214,746	421,278	626,181	87,411	386,882	748,262	104,453
Non-controlling interests	129,369	264,423	201,674	28,153	108,253	146,880	20,504
	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Total comprehensive income (expense) attributable to attributable to:							
Owners of the Company	1,190,988	369,701	(75,170)	(10,493)	404,999	637,677	89,016
Non-controlling interests	117,414	254,631	(244,888)	(34,185)	115,785	52,623	7,346
	1,308,402	624,332	(320,058)	(44,678)	520,784	690,300	96,362
Basic earnings per share (RMB/share)⁽¹⁾	0.224	0.077	0.115	0.016	0.071	0.137	0.019

Note:

- (1) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the relevant period.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

Revenue

Our revenue increased by 46.4% from RMB3,701.8 million in the six months ended June 30, 2024 to RMB5,418.3 million (US\$756.4 million) in the six months ended June 30, 2025. Cement sales volume increased by 25.3%, from approximately 8.3 million tons for the six months ended June 30, 2024 to approximately 10.4 million tons for the same period in 2025. Including clinker sales, total sales volume for the six months ended June 30, 2025 amounted to approximately 10.8 million tons, compared to 8.8 million tons sold for the same period in 2024. Overall cement prices in the six months ended June 30, 2025 were higher than those in the six months ended June 30, 2024. Cement average selling prices for the six months ended June 30, 2025 was RMB359 per ton as compared with RMB344 per ton in the six months ended June 30, 2024.

In addition to the cement sales revenue, the revenues arising from the sales of aggregates increased by 38.1% to RMB71.4 million (US\$10.0 million) in the six months ended June 30, 2025 from RMB51.7 million in the six months ended June 30, 2024 as a result of the net effect of the increase in sales volume by 45.6% and the decrease in prices by 13.5%. Moreover, the revenues arising from the sales of

commercial concrete decreased by 14.2% to RMB192.1 million (US\$26.8 million) in the six months ended June 30, 2025 from RMB224.0 million in the six months ended June 30, 2024, which is primarily due to the effect of the decreases in prices and sales volumes by 9.7% and 4.6%, respectively.

Cost of Sales

Our cost of sales increased by 38.9% from RMB2,728.6 million for the six months ended June 30, 2024 to RMB3,791.3 million (US\$529.2 million) for the six months ended June 30, 2025. Coal prices decreased in the PRC over this period because the local coal supply became more stable under the guaranteed supply policy implemented by the PRC government. The coal prices from overseas showed a downward trend during the six months ended June 30, 2025 because of the combination of our advanced equipment that reduced the consumption rate of coal in our production process, the adoption of domestic low-priced and low-calorific coals to replace the use of imported high-priced and high-calorific value coals and the adoption of our own coal mines which reduces the cost of coal. The average cost per ton of coal decreased by approximately 13.2% to approximately RMB660 per ton in the six months ended June 30, 2025 from approximately RMB760 per ton in the six months ended June 30, 2024. With the effect of the increase in our sales volume, total coal costs increased by approximately 13.0% as compared with that of the six months ended June 30, 2024.

The average cost of limestone decreased by 6.1% to approximately RMB18.5 per ton in the six months ended June 30, 2025 from RMB19.7 per ton in the six months ended June 30, 2024. This has resulted in a cost decrease of approximately RMB2.9 per ton of total cement produced. With the effect of the increase in sales volume, total raw materials costs increased by approximately 21.8% in the first half of 2025 as compared with that of the six months ended June 30, 2024.

The average cost of electricity decreased in the six months ended June 30, 2025 as a result of the decrease in electricity price under the decreasing coal costs and the decrease in the demand of electricity under the slowing down recovery of economic activities. The electricity costs decreased by approximately RMB3.3 per ton of total cement produced. With the effect of the increase in sales volume, total electricity costs increased by approximately 12.0% in the first half of 2025 as compared with that of the first half of 2024.

The total depreciation cost increased by approximately 36.9% in the six months ended June 30, 2025 as compared with that of the first half of 2024, which was an increase of approximately RMB3.0 per ton of total cement produced, as a result of the increase in production capacities and the technology upgrading of the existing production capacities in the first half of 2025.

The total staff cost increased by approximately 6.2% in the first half of 2025 as compared with that of the first half of 2024, as a result of the increase in production capacities during such period. However, the staff cost decreased by approximately RMB2.3 per ton of total cement produced, as a result of the strengthened cost control during the first half of 2025.

As to other costs, the balance mainly represented certain environmental related expenses, such as sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Other costs in total increased by approximately 43.8% in the six months ended June 30, 2025 as compared with that of the same period in 2024, which was approximately an increase of RMB2.3 per ton of total cement produced, as a result of the increase in production capacities the six months ended June 30, 2025.

Moreover, as a result of the increase in the sales volumes of aggregates by 38.1% and the decrease in sales volume of commercial concrete by 4.6%, in each case, in the six months ended June 30, 2025 compared to the same period in 2024, the costs arising from the production of aggregates increased by 41.4% to RMB46.8 million (US\$6.5 million) in the six months ended June 30, 2025 from RMB33.1 million in the six months ended June 30, 2024 and the costs arising from the production of commercial concrete decreased by 6.4% to RMB193.4 million (US\$27.0 million) in the six months ended June 30, 2025 from RMB206.7 million in the six months ended June 30, 2024, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB653.8 million, or 67.2% from RMB973.2 million in the six months ended June 30, 2024 to RMB1,627.0 million (US\$227.1 million) in the six months ended June 30, 2025. The increase in gross profit was mainly due to the increase in average selling prices and sales volume as described above. Gross profit margin increased from 26.3% in the six months ended June 30, 2024 to 30.0% in the six months ended June 30, 2025.

Other Income

Other income mainly comprised VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income decreased by approximately 13.9% from RMB61.7 million for the six months ended June 30, 2024 to RMB53.1 million (US\$7.4 million) for the six months ended June 30, 2025. The decrease in other income is mainly due to the decrease in the VAT refund as a result of the decrease in the ratio of cement produced by using recycled industrial waste during the period.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 87.3% from RMB86.6 million in the six months ended June 30, 2024 to RMB162.1 million (US\$22.6 million) in the six months ended June 30, 2025. The increase in selling and marketing expenses were mainly due to the increase in expenses in relation to the sale of properties under development and the increase in selling expenses related to the new business in Africa.

Administrative Expenses

Our administrative expenses increased by 11.3% from RMB318.4 million in the six months ended June 30, 2024 to RMB354.3 million (US\$49.5 million) in the six months ended June 30, 2025.

Other Expenses

Other expenses increased by 35.8% from RMB36.2 million in the six months ended June 30, 2024 to RMB49.2 million (US\$6.9 million) in the six months ended June 30, 2025. The increase was mainly due to the consultancy expenses incurred for the acquisition projects in the six months ended June 30, 2025.

Other Gains and Losses, Net

Other gains decreased by 23.2% from RMB183.1 million in the six months ended June 30, 2024 to RMB140.6 million (US\$19.6 million) in the six months ended June 30, 2025. The decrease was mainly due to the net effect of the following factors. First, there were net foreign exchange losses mainly relating to the translation of our USD receivables from our subsidiaries of RMB19.8 million (US\$2.8 million) in the six months ended June 30, 2025 compared to exchange gains of RMB71.2 million in the six months ended June 30, 2024. Second, there was a hyperinflation restatement regarding the subsidiaries in Ethiopia of RMB101.3 million recorded for the six months ended June 30, 2024. As Ethiopia is no longer identified as a hyperinflationary economy for reporting periods ending on or after June 30, 2025, no such restatement was recorded in the six months ended June 30, 2025. Third, there was a gain on acquisition of a subsidiary of RMB66.3 million (US\$9.3 million) in the six months ended June 30, 2025, which we did not have in the six months ended June 30, 2024. In the six months ended June 30, 2025, the Court terminated the liquidation process of Kangding Paomashan Cement Co., Ltd. (康定跑馬山水泥有限責任公司) (“Paomashan”) and approved our investment agreement with the liquidator to acquire 100% equity interest of Paomashan. Finally, there was a gain on modification of other long-term payables of RMB83.2 million (US\$11.6 million) in the six months ended June 30, 2025 (which we did not have for the same period in 2024) as a result of the modifications of the interest rate and repayment periods of the long term payables to the non-controlling shareholder of a subsidiary.

Impairment losses under expected credit loss model, net of reversal

We recognized a reversal of impairment losses under expected credit loss model of RMB57.0 million (US\$8.0 million) in the six months ended June 30, 2025 compared with impairment losses under expected credit loss model of RMB51.8 million in the six months ended June 30, 2024. The decrease was mainly due to the increase in the reversal of the impairment loss of RMB57.0 million (US\$8.0 million) as a result of the recovery the loan receivables and trade receivables in the six months ended June 30, 2025.

Share of result of an associate

We recognized a negative share of result of an associate in the amount of RMB0.1 million (US\$0.01 million) in the six months ended June 30, 2025 compared to a positive share of result of an associate in the amount of RMB1.6 million in the six months ended June 30, 2024.

Interest Income

Interest income decreased by 2.5% from RMB24.6 million in the six months ended June 30, 2024 to RMB24.0 million (US\$3.4 million) in the six months ended June 30, 2025. The decrease was mainly due to decreasing bank deposits placed with the banks as well as the decreasing balance of loan receivables that generate less interest income in the current period compared with the same period last year.

Finance Costs

Finance costs increased by 165.1% from RMB102.7 million in the six months ended June 30, 2024 to RMB272.3 million (US\$38.0 million) in the six months ended June 30, 2025. The increase was mainly due to the decrease in the capitalized interest for the construction in progress during the period.

Profit Before Tax

As a result of the foregoing, our profit before income tax increased by approximately 64.0%, from approximately RMB648.5 million for the six months ended June 30, 2024 to approximately RMB1,063.8 million (US\$148.5 million) for the six months ended June 30, 2025.

Income Tax Expense

Income tax expense increased by 10.0% from RMB153.4 million in the six months ended June 30, 2024 to RMB168.7 million (US\$23.5 million) in the six months ended June 30, 2025. Current income tax expense plus over provision increased by 24.5% to RMB173.9 million (US\$24.3 million) in the six months ended June 30, 2025 from RMB139.6 million in the six months ended June 30, 2024. Further, we had deferred tax credit of RMB5.2 million (US\$0.7 million) in the six months ended June 30, 2025 compared to deferred tax expense of RMB13.8 million in the six months ended June 30, 2024. The increase in the current income tax expense was mainly attributable to the net effect of the increase in profit tax attributable to the subsidiaries in the PRC and Africa. The decrease in deferred tax credit was mainly due to the increase in withholding tax on undistributed profits.

Profit Attributable to Owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company increased by 93.4% from RMB386.9 million in the six months ended June 30, 2024 to RMB748.3 million (US\$104.5 million) in the six months ended June 30, 2025.

Year ended December 31, 2024 compared to year ended December 31, 2023

Revenue

Our revenue decreased by 7.5% from RMB9,020.9 million in 2023 to RMB8,344.9 million (US\$1,164.9 million) in 2024. Cement sales volume decreased by 3.0%, from approximately 19.8 million tons for 2023 to approximately 19.2 million tons for 2024. Total sales volume including clinker sales decreased slightly to approximately 20.0 million tons in 2024 from 20.5 million tons in 2023. Overall cement prices in 2024 were 6.1% lower than those in 2023, which also contributed to the decrease in revenue. The average selling prices for cement for the year ended December 31, 2024 was RMB338 per ton as compared with RMB360 per ton in 2023.

In addition to the decrease in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete decreased by 21.2% and 36.4% to RMB125.3 million (US\$17.5 million) and RMB458.0 million (US\$63.9 million), respectively, for the year ended December 31, 2024, from RMB159.0 million and RMB720.5 million, respectively, for the year ended December 31, 2023, which was primarily due to the decrease in our sales volumes.

Cost of Sales

Our cost of sales decreased by 2.9% from RMB6,560.9 million for the year ended December 31, 2023 to RMB6,371.2 million (US\$889.4 million) for the year ended December 31, 2024. Coal prices decreased in the PRC during 2024 because the local coal supply became more stable under the guaranteed supply policy implemented by the PRC government. The coal prices from overseas also showed a downward trend during six the months ended June 30, 2025 because of the combination of our advanced equipment that reduced the consumption rate of coal in our production process, the adoption of domestic low-priced and low-calorific coals to replace the use of imported high-priced and high-calorific

value coals and the use of our own coal mines, which reduces the cost of coal. The average cost per ton of coal decreased by approximately 17.0% to approximately RMB729 per ton for 2024 from approximately RMB878 per ton for 2023. Combined with the effect of the decrease in sales volume, total coal costs decreased by approximately 16.8% as compared with those of 2023.

The average cost of limestone increased to approximately RMB17.7 per ton in 2024 compared to RMB16.9 per ton in 2023 as a result of the higher costs and quantities of limestone utilized by the overseas plants. Moreover, the average prices of other raw materials increased in 2024 compared to 2023. Even though the cement sales volume decreased by 3.0%, the total raw materials costs increased by approximately 6.1% and the raw materials costs increased by approximately RMB4.3 per ton of total cement produced, as compared with those of 2023.

The average cost of electricity decreased in 2024 as a result of the decrease in electricity price under the decreasing coal costs and the decrease in the demand of electricity under the slowing down recovery of economic activities in the PRC. The electricity costs decreased by approximately RMB2.5 per ton of total cement produced. Combined with the effect of the decrease in sales volume, total electricity costs decreased by approximately 8.2% as compared with that of 2023.

The total depreciation cost decreased by approximately 6.9% in 2024 as compared to 2023, which was approximately a decrease of RMB2.6 per ton of total cement produced, since there is no more depreciation charged for some fully depreciated assets during the year. The total staff cost decreased by approximately 10.6% in 2024 as compared to 2023, which was approximately a decrease of RMB1.7 per ton of total cement produced, as a result of the strengthened cost control during the year.

As to other costs, the balance mainly represented certain environmental related expenses, such as sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Other costs in total decreased by approximately 2.7% in 2024 as compared to 2023, which was approximately a decrease of RMB0.5 per ton of total cement produced, as a result of the strengthened cost control during the year.

Moreover, as a result of the decrease in the sales volumes of aggregates and commercial concrete in 2024 by 14.1% and 27.2%, respectively, the costs arising from the production of aggregates and commercial concrete also decreased by 6.1% and 31.1%, respectively, to RMB69.6 million (US\$9.7 million) in 2024 from RMB74.1 million in 2023 and RMB428.8 million (US\$60.0 million) in 2024 from RMB622.2 million in 2023, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB486.2 million, or 19.8% from RMB2,460.0 million in 2023 to RMB1,973.8 million (US\$275.5 million) in 2024. The decrease in gross profit was mainly due to the decrease in both average selling prices and sales volume as described above. Gross profit margins decreased from 27.3% in 2023 to 23.7% in 2024.

Other Income

Other income increased by approximately 3.7% from RMB142.7 million in 2023 to RMB148.1 million (US\$20.7 million) in 2024. The increase in other income was mainly due to the increase in the government grant during the year.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 0.5% from RMB132.4 million in 2023 to RMB131.8 million (US\$18.4 million) in 2024. The decrease in selling and marketing expenses was mainly attributable to the strengthened cost control during 2024. Our selling and marketing expenses as a percentage of revenue increased slightly from approximately 1.5% for 2023 to approximately 1.6% for 2024.

Administrative Expenses

Our administrative expenses decreased by 11.8% from RMB796.4 million in 2023 to RMB702.3 million (US\$98.0 million) in 2024. Our administrative expenses as a percentage of revenue decreased slightly from approximately 8.8% for 2023 to approximately 8.4% for 2024.

Other Expenses

Other expenses decreased by 49.3% from RMB200.4 million in 2023 to RMB101.7 million (US\$14.2 million) in 2024. The decrease was mainly due to the net effect of a decrease in provision for administrative penalty made by Shaanxi Administration for Market Regulation for violation of relevant anti-trust law provisions in the central Shaanxi market to RMB5.4 million (US\$0.8 million) in 2024 from RMB119.6 million in 2023 and a decrease in donations to RMB6.6 million (US\$0.9 million) in 2024 from RMB21.1 million in 2023, partly offset by an increase in the legal and professional fees to RMB95.1 million (US\$13.3 million) in 2024 from RMB52.7 million in 2023 as a result of the increase in business development activities.

Other Gains and Losses, Net

We had other gains, net, of RMB182.5 million (US\$25.5 million) in 2024 as compared to losses, net, of RMB277.7 million in 2023. The increase was mainly due to a net effect of the following factors. First, there was a loss on derecognition of a subsidiary of RMB255.7 million in 2023, which was primarily due to the impairment loss in respect of inter-group receivables in the amount of approximately RMB265.9 million due from Kangding Paomashan Cement Co., Ltd. (康定跑馬山水泥有限責任公司) (“Paomashan”). Paomashan is in bankruptcy liquidation proceedings in 2023 and it was estimated that we would not be able to recover all receivables due from Paomashan during the year. (Paomashan was subsequently consolidated into the Group in the first half of 2025 as discussed above.) No such loss was recorded in 2024. Secondly, there were impairment losses recognized in respect of goodwill of RMB7.6 million (US\$1.1 million) in 2024 compared to RMB69.6 million in 2023. Thirdly, there was a fair value loss on equity instrument at FVTPL of RMB0.9 million (US\$0.1 million) in 2024 as compared to RMB55.5 million in 2023. Finally, there was a hyperinflation restatement regarding the subsidiaries in Ethiopia of RMB122.4 million (US\$17.1 million) in 2024 as compared to RMB47.6 million in 2023.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal, increased by 196.9% from RMB18.5 million in 2023 to RMB54.9 million (US\$7.7 million) in 2024. The increase was mainly due to an increase in impairment losses recognized on other receivables from RMB0.3 million in 2023 to RMB31.8 million (US\$4.4 million) in 2024 and increase in impairment loss on trade receivables to RMB29.2 million (US\$4.1 million) in 2024 from RMB21.9 million in 2023 as a result of the impact of the weak PRC economy recovery on certain customers.

Share of result of a joint venture/an associate

We recognized a negative share of result of a joint venture in the amount of RMB3.4 million in 2023. We recognized a positive share of result of an associate in the amount of RMB2.1 million (US\$0.3 million) in 2024.

Interest Income

Interest income decreased by 21.7% from RMB88.2 million in 2023 to RMB69.0 million (US\$9.6 million) in 2024. The decrease was mainly due to the effect of a decrease in the interest income arising from the loan receivables business to RMB55.2 million (US\$7.7 million) in 2024 from RMB66.3 million in 2023 and a decrease in the interest income arising from the bank deposits to RMB13.9 million (US\$1.9 million) in 2024 from RMB18.8 million in 2023 as a result of the decrease in the average bank deposit balance during 2024.

Finance Costs

Finance costs decreased by 4.3% from RMB307.8 million in 2023 to RMB294.7 million (US\$41.1 million) in 2024. The decrease was mainly due to an increase in the capitalized interest for the construction in progress during 2024.

Profit Before Tax

As a result of the foregoing, our profit before income tax increased by approximately 14.2%, from approximately RMB954.3 million for 2023 to approximately RMB1,090.2 million (US\$152.2 million) for 2024.

Income Tax Expense

Income tax expense decreased by 2.3% from RMB268.6 million in 2023 to RMB262.3 million (US\$36.6 million) in 2024. Current income tax expense plus over provision decreased by 15.5% to RMB267.0 million (US\$37.3 million) in 2024 from RMB316.0 million in 2023, whereas deferred tax credit decreased by 90.0% to RMB4.7 million (US\$0.7 million) in 2024 from RMB47.4 million in 2023. The decrease in deferred tax credit was mainly due to the net effect of the decrease in the deferred tax assets arising from the unused tax losses and the withholding tax on undistributed profits as well as the increase in deferred tax liabilities arising from the hyperinflation adjustment for the subsidiaries in Ethiopia.

Profit Attributable to Owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company increased by 48.6% from RMB421.3 million in 2023 to RMB626.2 million (US\$87.4 million) in 2024.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenue

Our revenue increased by 6.3% from RMB8,489.1 million in 2022 to RMB9,020.9 million in 2023. Cement sales volume increased by 7.0%, from approximately 18.5 million tons in 2022 to approximately 19.8 million tons in 2023. Including clinker sales, total sales volume amounted to approximately 20.5 million tons in 2023, compared to 19.3 million tons in 2022. Overall cement prices were slightly higher in 2023 than those in 2022, and this has resulted in slightly higher revenue. Cement average selling prices in 2023 were RMB360 per ton as compared with RMB358 per ton in 2022.

In addition to the increase in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete decreased and increased by approximately 32.6% and 1.6%, as a result of the decrease in both average selling prices and sales volume of aggregates and as a result of the net effect of decrease in average selling prices and increase in sales volume of commercial concrete, to RMB159.0 million and RMB720.5 million, in 2023, respectively.

Cost of Sales

Cost of sales increased by 4.0% from RMB6,307.3 million in 2022 to RMB6,560.9 million in 2023. Coal costs decreased in the PRC during 2023 because the supply and production of coal were continuously kept at a relatively high level as a result of the increase in import of coal under the zero import tax policy and the increase in local coal supply under the guaranteed supply policy implemented by the PRC government. In addition to the decrease in the demand of coal under the slowing down recovery of economic activities in the PRC, the coal prices dropped from approximately RMB1,100 per ton in December 2022 to approximately RMB824 per ton in December 2023. In our overseas markets, coal price increased in 2023 to approximately RMB1,073 per ton compared to RMB809 per ton in 2022. The average cost per ton of coal decreased by approximately 15.5% to approximately RMB878 per ton from approximately RMB1,039 per ton in 2022. These have resulted in a cost decrease of approximately RMB18.3 per ton of total cement produced and a total coal costs decrease of approximately 11.0% as compared with those of 2022.

The average cost per ton of limestone remained stable at approximately RMB16.9 per ton in both 2023 and 2022. However, the average prices of other raw materials increased in 2023. Even though the cement sales volume increased by only 7.0%, the total raw materials costs increased by approximately 17.8% and the raw materials costs increased in 2023 by approximately RMB6.4 per ton of total cement produced, as compared with those of 2022. The total staff cost increased in 2023 by approximately 19.7% as compared with that of 2022, which was approximately an increase of RMB1.6 per ton of total cement produced, as a result of the increase in the production capacities.

As to other costs, the balance mainly represented certain environmental related expenses, such as sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Other costs in total increased by approximately 12.9% as compared with those of 2022, which was approximately an increase of RMB0.9 per ton of total cement produced, as a result of the increase in the production capacities. There were no significant changes in the depreciation cost and electricity cost in 2023.

Moreover, as a result of the decrease and increase in the sales volumes of aggregates and commercial concrete by 12.2% and 9.8%, respectively, the costs arising from the production of aggregates and commercial concrete also decreased and increased by 8.4% and 0.8% to RMB74.1 million in 2023 from RMB80.9 million in 2022 and to RMB622.2 million in 2023 from RMB617.4 million in 2022, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB278.2 million, or 12.8%, from RMB2,181.8 million in 2022 to RMB2,460.0 million in 2023. Gross profit margin increased from 25.7% in 2022 to 27.3% in 2023.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government grants. Other income decreased by approximately 68.4% from RMB451.9 million in 2022 to RMB142.7 million in 2023. The decrease in the balance was mainly because the government grants decreased by RMB308.6 million or 88.3% to RMB41.1 million as there was a subsidy of RMB308.5 million received from the demolition work of a plant in 2022, but no such subsidy was recorded in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 76.1% from RMB75.2 million in 2022 to RMB132.4 million in 2023. The increase in selling and marketing expenses was mainly due to the increase in expenses in relation to the sale of properties under development that started in 2023 and the increase in respective selling expenses related to the new business in Africa. Our selling and marketing expenses as a percentage of revenue increased from approximately 0.9% for 2022 to approximately 1.5% for 2023.

Administrative Expenses

Our administrative expenses increased by approximately 31.7% from approximately RMB604.8 million in 2022 to approximately RMB796.4 million in 2023 primarily due to increase in the respective administrative expenses related to the development of the businesses in Africa. Our administrative expenses as a percentage of revenue increased from 7.1% for 2022 to 8.8% for 2023.

Other Expenses

Other expenses increased by 208.7% from RMB64.9 million in 2022 to RMB200.4 million in 2023. The increase was mainly due to the increase in the legal and professional fees to RMB52.7 million in 2023 from RMB28.7 million in 2022 as a result of the increase in business development activities and the further provision for administrative penalty made by Shaanxi Administration for Market Regulation for violation of relevant anti-trust law provisions in the central Shaanxi market of RMB119.6 million recorded in 2023 compared to RMB29.8 million in 2022.

Other Gains and Losses, Net

Other losses increased by 429.4% from RMB52.5 million in 2022 to RMB277.7 million in 2023. The increase was mainly due to the net effect of the following factors. First, there was a loss on derecognition of a subsidiary of RMB255.7 million in 2023, which primarily included the impairment loss in respect of inter-group receivables in the amount of approximately RMB265.9 million due from Kangding Paomashan Cement Co., Ltd. (康定跑馬山水泥有限責任公司) (“Paomashan”). There was no such loss in 2022. Second, a gain on deemed disposal of a joint venture of RMB10.0 million was recorded in 2023. There was no such gain in 2022. Third, there was a hyperinflation restatement regarding the subsidiary in Ethiopia of RMB47.6 million in 2023. There was no such item in 2022. Finally, there was an impairment loss recognized in respect of goodwill of RMB69.6 million in 2023. There was no such loss in 2022.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal, decreased by 73.2% from RMB68.9 million in 2022 to RMB18.5 million in 2023. The decrease was mainly due to the reversal of impairment of RMB3.8 million in 2023 compared to impairment losses of RMB53.0 million in 2022 in

connection with loan receivables, offset by the increase in impairment loss on trade receivables to RMB21.9 million in 2023 from RMB18.0 million in 2022 as a result of the impact of the weak PRC economy recovery to certain clients.

Share of result of a joint venture

Our negative share of result of a joint venture decreased by 46.9% from RMB6.4 million in 2022 to RMB3.4 million in 2023.

Interest Income

Interest income decreased by 47.8% from RMB168.9 million in 2022 to RMB88.2 million in 2023. The decrease was mainly due to the net effect of (i) the decrease in the interest income arising from the loan receivables business to RMB66.3 million from RMB107.4 million in 2022 as a result of the decrease in loan receivables business, (ii) the decrease in interest income arising from the amount due from the joint venture to RMB3.0 million in 2023 from RMB36.1 million in 2022 as the joint venture was deemed disposed during 2023 and (iii) the decrease in the interest income arising from the bank deposits to RMB18.8 million in 2023 from RMB25.4 million in 2022 as a result of the decrease in the bank balance after the proceeds from the issuance of senior notes in July 2021 was used in 2022.

Finance Costs

Finance costs decreased by 26.1% from RMB416.6 million in 2022 to RMB307.8 million in 2023. The decrease was mainly due to the increasing capitalization of interest for the construction in progress during 2023.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by approximately 36.9% from approximately RMB1,513.3 million for 2022 to approximately RMB954.3 million for 2023.

Income Tax Expense

Income tax expense increased by 58.8% from RMB169.2 million in 2022 to RMB268.6 million in 2023. Current income tax expense plus over provision increased by 13.4% to RMB316.0 million in 2023 from RMB278.7 million in 2022, whereas deferred tax credit decreased by 56.8% to RMB47.4 million in 2023 from RMB109.5 million in 2022. The decrease in deferred tax credit was mainly due to the net effect of the increase in the deferred tax assets arising from the unused tax losses and the withholding tax on undistributed profits as well as the increase in deferred tax liabilities arising from the other long-term payables.

The effective income tax rate increased to 28.1% for 2023 from 11.2% for 2022 primarily due to the acquisition of a subsidiary in late 2022, which generated a significant portion of profit for the Group that was subject to a profit tax rate of 30%.

Profit Attributable to Owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company decreased from RMB1,214.7 million in 2022 to RMB421.3 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table sets forth a summary of our net cash flow for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Net cash generated from operating activities .	2,134,538	2,700,141	2,042,739	285,155	1,356,481	602,102	84,050
Net cash used in investing activities	(3,254,819)	(3,353,393)	(1,878,291)	(262,199)	(1,980,861)	(1,008,128)	(140,729)
Net cash generated (used in) from financing activities	(1,100,299)	139,807	85,463	11,930	706,593	115,681	16,148
Net (decrease) increase in cash and cash equivalents	(2,220,580)	(513,445)	249,911	34,886	82,213	(290,345)	(40,531)
Cash and cash equivalents at the beginning of year/period	3,507,715	1,424,275	922,662	128,799	922,662	1,157,136	161,530
Cash and cash equivalents of disposal group transferred to assets classified as held for sale	—	—	—	—	—	(2,185)	(305)
Effect of foreign exchange rate changes	137,140	11,832	(15,437)	(2,155)	8,985	(10,127)	(1,414)
Cash and cash equivalents at the end of year/period	1,424,275	922,662	1,157,136	161,530	1,013,860	854,479	119,280

Net cash generated from operating activities

The following table summarizes our cash flow from operating activities for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Operating cash inflows before movements in working capital	2,880,130	2,821,104	2,593,185	361,995	1,276,114	1,843,345	257,321
Change in working capital — generated (used in) from	(522,641)	160,560	(153,719)	(21,459)	292,225	(1,111,227)	(155,121)
Cash generated from operations	2,357,489	2,981,664	2,439,466	340,536	1,568,339	732,118	102,200
Income tax paid	(222,951)	(281,523)	(396,727)	(55,381)	(211,858)	(130,016)	(18,150)
Net cash generated from operating activities	2,134,538	2,700,141	2,042,739	285,155	1,356,481	602,102	84,050

Our net cash generated from operating activities was approximately RMB602.1 million (US\$84.1 million) in the six months ended June 30, 2025. This net cash inflow was primarily a result of (i) profit before income tax in the amount of approximately RMB1,063.8 million (US\$148.5 million), (ii) the adjustment of depreciation of property, plant and equipment in the amount of approximately RMB803.5 million (US\$112.2 million), (iii) net finance costs in the amount of approximately RMB272.3 million (US\$38.0 million), and (iv) a decrease in inventories/properties under development in the amounts of RMB875.5 million (US\$122.2 million), which was partially offset by properties for sale of approximately RMB150.7 million (US\$21.0 million), and an increase in trade and other receivables and prepayments in the amount of approximately RMB358.9 million (US\$50.1 million), a decrease in trade and other payables in the amount of approximately RMB755.4 million (US\$105.4 million) and a decrease in contract liabilities in the amount of approximately RMB721.4 million (US\$100.7 million).

Our net cash generated from operating activities was approximately RMB1,356.5 million in the six months ended June 30, 2024. This net cash inflow was primarily a result of (i) profit before income tax in the amount of approximately RMB648.5 million, (ii) the adjustment of depreciation of property, plant and equipment in the amount of approximately RMB627.8 million, (iii) net finance costs in the amount of approximately RMB102.7 million, (iv) an increase in contract liabilities in the amount of approximately RMB354.0 million and (v) an increase in trade and other payables in the amount of approximately RMB458.9 million, which was partially offset by net foreign exchange gain of approximately RMB71.2 million, a non-cash item of hyperinflation restatement in the amount of approximately RMB101.3 million, an increase in the amounts of inventories/properties under development of approximately RMB183.2 million and an increase in trade and other receivables and prepayments in the amount of approximately RMB337.4 million.

Our net cash generated from operating activities was approximately RMB2,042.7 million (US\$285.2 million) in 2024. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB1,090.2 million (US\$152.2 million), plus adjustments for (i) depreciation of property, plant and equipment in the amount of approximately RMB1,254.1 million (US\$175.1 million), (ii) finance costs in the amount of approximately RMB294.7 million (US\$41.1 million), (iii) impairment loss on property, plant and equipment in the amount of RMB104.4 million (US\$14.6 million), (iv) increase in contract liabilities of approximately RMB527.8 million (US\$73.7 million), and (vi) an increase in trade and other payables in the amount of approximately RMB362.1 million (US\$50.6 million), which was partially offset by non-cash items related to hyperinflation of approximately RMB148.0 million (US\$20.7 million), increase in inventories of approximately RMB453.1 million (US\$63.2 million), increase in properties under development of approximately RMB332.2 million (US\$46.4 million), an increase in trade and other receivables and prepayments in the amount of approximately RMB258.4 million (US\$36.1 million) and income tax paid of RMB396.7 million (US\$55.4 million).

Our net cash generated from operating activities was approximately RMB2,700.1 million in 2023. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB954.3 million, plus adjustments for (i) depreciation of property, plant and equipment in the amount of approximately RMB1,255.0 million, (ii) finance costs in the amount of approximately RMB307.8 million, (iii) loss on disposal/derecognition of a subsidiary in the amount of approximately RMB255.7 million, (iv) provision for administrative penalty in the amount of approximately RMB119.6 million, (v) increase in contract liabilities in the amount of approximately RMB261.5 million and (iii) an increase in trade and other payables in the amount of approximately RMB130.2 million, which was partially offset by non-cash items related to hyperinflation of approximately RMB128.2 million, an increase in properties under development in the amount of approximately RMB245.0 million and income tax paid of RMB281.5 million.

Our net cash generated from operating activities was approximately RMB2,134.5 million in 2022. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB1,513.3 million plus adjustments for (i) depreciation of property, plant and equipment in the amount of approximately RMB1,225.7 million and (ii) finance costs in the amount of approximately RMB416.6 million, which was partially offset by government grants released to profit or loss in the amount of RMB317.3 million, decrease in trade and other payables of RMB303.9 million, an increase in inventories in the amount of RMB253.9 million and income tax paid of RMB223.0 million.

Net cash used in investing activities

Our net cash used in investing activities was approximately RMB1,008.1 million (US\$140.7 million) in the six months ended June 30, 2025, primarily reflecting (i) the purchase of property, plant and equipment of approximately RMB1,348.1 million (US\$188.2 million), (ii) the placement of pledged/restricted bank deposits in the amount of approximately RMB1,037.5 million (US\$144.8 million), offset by withdrawal of pledged/restricted bank deposits of approximately RMB1,455.5 million (US\$203.2 million) and (iii) loans to third parties of approximately RMB136.8 million (US\$19.1 million), partially offset by repayments received from loans to third parties of approximately RMB120.1 million (US\$16.8 million). The acquisition of property, plant and equipment was primarily due to the construction of our new production facilities. The loans to third parties and repayments received for loans to third parties were related to our financial leasing business.

Our net cash used in investing activities was approximately RMB1,980.9 million in the six months ended June 30, 2024, primarily reflecting (i) the purchase of property, plant and equipment of approximately RMB1,369.9 million and (ii) the placement of pledged/restricted bank deposits in the amount of approximately RMB1,710.8 million, partially offset by withdrawal of pledged/restricted bank deposits of approximately RMB1,061.9 million. The acquisition of property, plant and equipment was primarily due to the construction of our new production facilities. The loans to third parties and repayments received for loans to third parties were related to our financial leasing business.

Our net cash used in investing activities was approximately RMB1,878.3 million (US\$262.2 million) in 2024, primarily reflecting (i) the placement of restricted/pledged bank deposits in the amount of approximately RMB2,451.3 million (US\$342.2 million) and (ii) the purchase of property, plant and equipment of approximately RMB2,053.2 million (US\$286.6 million), partially offset by withdrawal of restricted/pledged bank deposits of approximately RMB2,264.7 million (US\$316.1 million), proceeds from disposal of property, plant and equipment of approximately RMB280.6 million (US\$39.2 million) and repayments received from loans to third parties of approximately RMB228.2 million (US\$31.9 million).

million). The acquisition of property, plant and equipment was primarily due to the construction of our new production facilities. The repayments received for loans to third parties were related to our financial leasing business.

Our net cash used in investing activities was approximately RMB3,353.4 million in 2023, primarily reflecting (i) the purchase of property, plant and equipment of approximately RMB2,865.2 million, (ii) the placement of restricted/pledged bank deposits in the amount of approximately RMB2,052.4 million and (iii) loans to third parties of approximately RMB411.6 million, partially offset by withdrawal of restricted/pledged bank deposits of approximately RMB1,482.1 million and repayments received from loans to third parties of approximately RMB489.4 million. The acquisition of property, plant and equipment primarily related to construction of our new production lines and the purchase of related equipment. The fixed assets acquired included new cement production lines. The loans to third parties and repayments received for loans to third parties were related to our financial leasing business.

Our net cash used in investing activities was approximately RMB3,254.8 million in 2022, primarily reflecting (i) the purchase of property, plant and equipment of approximately RMB2,847.9 million, (ii) net cash outflow on acquisitions of subsidiaries of approximately RMB717.7 million and (iii) the placement of restricted/pledged bank deposits in the amount of approximately RMB659.0 million, partially offset by withdrawal of restricted/pledged bank deposits in the amount of approximately RMB669.8 million and repayments received from loans to third parties in the amount of approximately RMB245.3 million. The loans to third parties and repayments received for loans to third parties were related to our financial leasing business. The acquisition of property, plant and equipment primarily related to construction in progress related to construction of our production lines and the purchase of related equipment. The fixed assets acquired included new cement production lines.

Net cash generated from/used in financing activities

Our net cash generated from financing activities was approximately RMB115.7 million (US\$16.1 million) in the six months ended June 30, 2025, primarily due to new borrowings raised in the amount of approximately RMB3,321.7 million (US\$463.7 million), partially offset by (i) repayments of borrowings in the amount of approximately RMB2,948.3 million (US\$411.6 million), (ii) interest paid in the amount of approximately RMB240.3 million (US\$33.5 million) and (iii) repayments of advances from third parties in the amount of approximately RMB91.9 million (US\$12.8 million). Our cash generated from financing activities was used primarily for working capital purposes in the six months ended June 30, 2025.

Our net cash generated from financing activities was approximately RMB706.6 million in the six months ended June 30, 2024, primarily due to (i) new borrowings raised in the amount of approximately RMB3,239.1 million, partially offset by repayments of borrowings in the amount of approximately RMB2,310.9 million and interest paid in the amount of approximately RMB234.4 million. Our cash generated from financing activities was used primarily for working capital purposes in the six months ended June 30, 2024.

Our net cash generated from financing activities was approximately RMB85.5 million (US\$11.9 million) in 2024, primarily due to new borrowings raised in the amount of approximately RMB4,667.6 million (US\$651.6 million), partially offset by (i) repayments of borrowings in the amount of approximately RMB3,787.3 million (US\$528.7 million), (ii) interest paid in the amount of approximately RMB509.2 million (US\$71.1 million), (iii) dividends paid to non-controlling shareholders of a subsidiary in the amount of approximately RMB184.0 million (US\$25.7 million) and (iv) dividends paid in the amount of approximately RMB125.5 million (US\$17.5 million). Our cash generated from financing activities was used primarily for working capital purposes in 2024.

Our net cash generated from financing activities was approximately RMB139.8 million in 2023, primarily due to new borrowings raised in the amount of approximately RMB3,881.3 million, partially offset by (i) repayments of borrowings in the amount of approximately RMB2,098.4 million, (ii) repayment of medium-term notes in the amount of RMB700.0 million, (iii) interest paid in the amount of approximately RMB504.8 million and (iv) dividends paid in the amount of approximately RMB364.4 million.

Our net cash used in financing activities was approximately RMB1,100.3 million in 2022, primarily due to (i) repayments of borrowings in the amount of approximately RMB2,879.3 million, (ii) repayment of medium-term notes of RMB500.0 million, (iii) dividends paid in the amount of approximately RMB473.2 million and (iv) interest paid in the amount of approximately RMB463.0 million, partially offset by new borrowings raised in the amount of approximately RMB3,234.1 million.

Contingent liabilities

As of June 30, 2025, we had no material contingent liabilities.

Indebtedness

We have financed our operations primarily through cash flows from operations, short-term and long-term loans from banks and third parties and offerings of equity and debt securities. The table below sets forth our indebtedness as of the dates indicated. Most our borrowings are repayable within five years.

	As of December, 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Senior notes	4,204,158	4,324,193	4,469,815	623,962	4,397,466	613,863
Medium-term notes	714,431	—	—	—	—	—
Borrowings:						
Within one year	3,156,533	3,632,813	3,917,111	546,808	3,939,498	549,933
More than one year but not more than two years	220,100	560,814	720,022	100,511	1,114,639	155,598
More than two years but not more than five years	639,093	1,735,176	2,047,295	285,791	1,744,850	243,572
Within a period of more than five years	598,724	423,414	405,064	56,545	507,970	70,909
Sub-total	4,614,450	6,352,217	7,089,492	989,655	7,306,957	1,020,012
Total	9,533,039	10,676,410	11,559,307	1,613,617	11,704,423	1,633,875

As of June 30, 2025, we had borrowings of approximately RMB11,704.4 million (US\$1,633.9 million), of which approximately RMB7,307.0 million (US\$1,020.0 million) were borrowings inclusive of secured bank borrowings and unsecured syndicated loans. We had secured bank borrowings of approximately RMB4,923.3 million (US\$687.3 million) which were primarily secured by property, plant and equipment, properties under development, trade receivables, right-of-use assets and pledged bank deposits of our subsidiaries with carrying amount of approximately RMB8,499.0 million (US\$1,186.4 million). We repaid RMB700 million medium-term notes in full in September 2023. For details of our bank borrowings and other borrowings, please refer to the section headed “Description of Other Material Indebtedness”.

Our Senior Notes are denominated in US Dollars and our bank borrowings are denominated in the following currencies:

	As of December, 31,				As of June 30,	
	2022	2023	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
RMB	4,749,767	4,575,118	4,868,199	679,575	4,657,572	650,172
US\$	4,209,889	5,385,983	6,066,375	846,833	6,040,102	843,166
Other currencies	573,383	715,309	624,733	87,209	1,006,749	140,537
Total	9,533,039	10,676,410	11,559,307	1,613,617	11,704,423	1,633,875

As of December 31, 2024 and June 30, 2025, the ranges of effective interest rates of our bank borrowings were 1.07% to 22.25% per annum and 1.12% to 22.25% per annum, respectively.

Since June 30, 2025, there has not been any material adverse change in our indebtedness and contingent liabilities. Certain of our outstanding bank borrowings contain cross-default provisions. Such cross-default provisions generally provide that if any default of another material financial indebtedness has occurred or if any event of default shall cause any such indebtedness to be declared due prior to its maturity date, then an event of default is considered to have occurred under the facility which contains such cross-default provision. For more information, see “Description of Other Material Indebtedness”.

CAPITAL EXPENDITURES

Historical Capital Expenditures

Our capital expenditures include the purchase of property, plant and equipment, purchase of mining rights, purchase of right to use assets, purchase of intangible assets and acquisition of subsidiaries, net of cash acquired. The table below sets forth capital expenditures for the periods indicated.

	For the year ended December, 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Purchase of property, plant and equipment . .	2,847,922	2,865,153	2,053,187	286,614	1,369,870	1,348,116	188,189
Purchase of mining rights	50,733	33,043	153,873	21,480	16,742	7,627	1,065
Purchase of right of use assets	56,119	24,202	7,823	1,092	3,684	1,539	215
Purchase of intangible assets	6,547	1,759	9,737	1,359	7,301	475	66
Acquisition of subsidiaries net of cash acquired	717,728	26,715	—	—	—	77,752	10,854
Total	3,679,049	2,950,872	2,224,620	310,545	1,397,597	1,435,509	200,389

Our capital expenditures during each year ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 primarily related to maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Ethiopia, the DRC, Rwanda, Tanzania, Uzbekistan, Mozambique and Uganda.

We have historically funded our capital expenditures from internally generated cash and available banking facilities.

Capital Commitments

We have entered into production facility construction contracts as well as equipment purchase agreements. Our capital commitments amounted to RMB3,283.4 million, RMB2,668.3 million, RMB3,680.9 million (US\$513.8 million), and RMB3,149.0 million (US\$439.6 million) as of December 31, 2022, 2023, and 2024 and June 30, 2025.

Our capital commitments primarily related to construction of new production facilities and maintenance and upgrading of existing production facilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

Foreign Exchange Risk

Our sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash and bank borrowings are mainly denominated in Renminbi and United States Dollars. Moreover, our other long-term payables and senior notes are denominated in United States Dollars, while several intercompany balances between the subsidiaries are denominated in different functional currencies, that is, Meticais and Ethiopian Birr. Renminbi, Meticais and Ethiopian Birr are not freely convertible currencies.

As of June 30, 2025, we had U.S. dollar-denominated debt and bank borrowings totaling RMB6,040.1 million (US\$843.2 million). As of the same date, we had aggregate cash and bank balances and restricted bank deposits for borrowings of RMB1,820.8 million (US\$254.2 million), of which RMB208.0 million (US\$29.0 million) were denominated in U.S. dollars and RMB370.7 million (US\$51.7 million) were denominated in other currencies.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in U.S. dollars and other currencies. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Future exchange rates of the Renminbi, Meticaïs and Ethiopian Birr could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government, Mozambique government and Ethiopia government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi, Meticaïs and Ethiopian Birr. The appreciation or depreciation of Renminbi, Meticaïs and Ethiopian Birr against foreign currencies may have an impact on our operating results.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to the Notes — We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar”.

As of the date of this Offering Memorandum, we have not entered into any transaction to hedge against any fluctuation in foreign currency. However, our management team will continue to monitor foreign exchange exposure and will consider hedging our foreign currency exposure should the need arise.

Commodity Price Risk

We consume coal and raw materials including gypsum, flyash, pyrite cinder and slag in the production of our cement products. We are exposed to fluctuations in the prices of the aforesaid materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of coal and other raw materials could adversely affect our business, financial condition and results of operations. Historically, we have not entered into any commodity derivative instruments to hedge the potential commodity price changes.

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our exposure to changes in interest rates is mainly attributable to our debt and borrowings, especially long-term debt and borrowings. Borrowings at variable rates expose us to cash flow interest rate risk. Borrowings at a fixed rate expose us to fair value interest rate risk. As of June 30, 2025, we had floating rate borrowings of RMB4,149.4 million (US\$579.2 million) and fixed rate borrowings of RMB3,157.6 million (US\$440.8 million). As of the date of this Offering Memorandum, we have not used any interest rate swap to hedge our exposure to interest rate risk.

Higher interest rates may lead to higher borrowing costs and thus adversely affect our revenue and profits. Except for a few borrowings that are linked to SOFR (or LIBOR before its abolishment), most of our borrowings are linked to the Loan Prime Rate, or LPR. The LPR one-year lending rates in China as of December 31, 2022 and 2023 and 2024 and June 30, 2025 were 3.65%, 3.45%, 3.10% and 3.00% per annum, respectively. We cannot assure you that the LPR will not further increase in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. See “Risk Factors — Risks Relating to Our Business — We have a substantial amount of bank borrowings and some of our bank borrowings have floating interest rates and an increase in the interest rate may have an adverse effect on our financial performance.”

Liquidity Risk

Our management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financial resources, including short-term and long-term bank borrowings and offerings of equity and debt securities. Due to the dynamic nature of our business, our finance department strives to maintain flexibility in funding by maintaining an adequate amount of cash and cash equivalents and having available sources of financing.

In order to enable us to meet our liabilities when they become due and to carry on our business in normal course in the foreseeable future, we have reached a number of agreements to extend our current borrowings and obtain new loan facilities.

Inflation and Deflation Risk

We operated our business in mainly in the PRC, Mozambique, DRC, Ethiopia and Uzbekistan, with more than half of our business based in the PRC. In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0%, 0.2%, 0.2% and -0.1% in the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. As of the date of this Offering Memorandum, we had not been materially affected by any inflation or deflation.

Credit Risk

Our credit risk is primarily attributable to our trade and other receivables, bank balances and cash and restricted bank deposits. We have adopted a policy of only dealing with what we believe to be creditworthy customers, lessees and counterparties. In respect of our financial leasing business, we would examine and verify the credit risk of all lessees and counterparties that we have financial leasing, factoring, entrusted loan and small loan arrangements with. In respect of our main cement business, we would carry out credit assessment before entering into contracts with our customers and build credit records of our customers, in order to mitigate credit risk and reduce the overdue receivables. In addition, we also carry out regular reviews on the trade receivables and loan receivables balances and will write off bad debts, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables. We believe the credit risk relating to trade receivables is low. Our customers' default rate has been low in the past. Our credit risk exposure is spread among a large number of customers. As such, we believe we have no significant concentration of credit risk. Ongoing credit evaluation is performed on the financial condition of trade receivables and loan receivables. We do not hold any collateral for trade receivables.

NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP data, such as EBITDA, to provide additional information about our operating performance as we believe that it is a useful measure for certain investors to assess our operating performance, operating cash flow and historical ability to meet debt service and capital expenditure requirements. EBITDA is defined as profit before tax plus finance costs, depreciation and amortization, loss on derecognition of a subsidiary, impairment losses in respect of goodwill, impairment losses under expected credit loss model, net of reversal and net foreign exchange gains/(losses), gain on acquisition/disposal of subsidiaries, gain on modification of other long-term payables, interest income and hyperinflation restatement.

EBITDA is not a standard measure under IFRS Accounting Standards and should not be considered as an alternative to cash flow from operating activities, a measure of liquidity or an alternative to profit and total comprehensive income as indicators of our operating performance or any other measures of liquidity, profitability or cash flows derived in accordance with IFRS Accounting Standards. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized.

As a measure of our operating performance, we believe that the most directly comparable IFRS Accounting Standards measure to EBITDA is profit and total comprehensive income for the period. We operate in a capital-intensive industry. We use EBITDA in addition to profit and total comprehensive income for the period because profit and total comprehensive income for the period includes many accounting items associated with capital expenditures, such as depreciation and amortization. These accounting items may vary between companies depending on the method of accounting adopted by a company. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit and total comprehensive income attributable to owners of the Company under IFRS Accounting Standards to our definition of EBITDA for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Profit for the year/period	1,344,115	685,701	827,855	115,564	495,135	895,142	124,957
Add:							
Finance costs.	416,616	307,839	294,683	41,136	102,713	272,266	38,007
Income tax expense	169,184	268,608	262,327	36,619	153,382	168,701	23,550
Total depreciation and amortization.	1,289,898	1,344,166	1,324,176	184,848	663,745	825,532	115,240
Loss on derecognition of a subsidiary	—	255,651	—	—	—	—	—
Impairment recognised in respect of goodwill.	—	69,587	7,644	1,067	7,644	—	—
Impairment losses under expected credit loss model, net of reversal.	68,885	18,489	54,903	7,664	51,759	(57,047)	(7,963)
Deduct:							
Net foreign exchange losses (gains).	(37,058)	(45,601)	(54,885)	(7,662)	(71,214)	19,794	2,763
Interest income	(168,898)	(88,189)	(69,046)	(9,638)	(24,631)	(24,010)	(3,352)
Gain on acquisition/disposal of subsidiaries	—	—	(2,880)	(402)	(2,880)	(66,300)	(9,255)
Gain on modification of other long-term payables.	—	—	—	—	—	(83,211)	(11,616)
Hyperinflation restatement.	—	(47,567)	(122,402)	(17,086)	(101,292)	—	—
EBITDA	<u>3,082,742</u>	<u>2,768,684</u>	<u>2,522,375</u>	<u>352,110</u>	<u>1,274,361</u>	<u>1,950,867</u>	<u>272,331</u>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the periods indicated or as an indicator of operating performance or any other standard measure under IFRS Accounting Standards. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

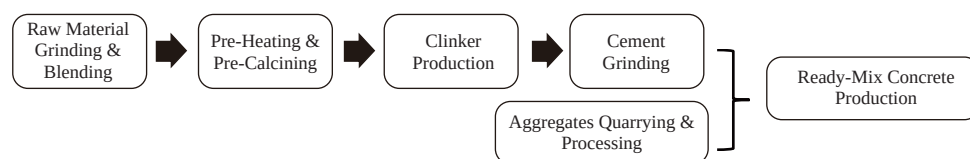
INDUSTRY OVERVIEW

OVERVIEW OF THE CEMENT INDUSTRY

The cement industry serves as a foundational pillar of global construction and infrastructure advancement. As a critical enabler of urbanization and economic growth, cement is integral to the development of residential and commercial buildings, transportation networks, water conservation and treatment systems, coastal and marine infrastructure, as well as energy production facilities.

Cement companies generate revenue by selling a range of products, such as clinker, cement, aggregates, and ready-mix concrete. Among these, control over the supply of clinker and aggregates is often a critical factor for competitiveness, as companies with these resources and production capabilities typically hold a stronger market position.

Table 1 Production Processes of Cement and Ready-Mix Concrete



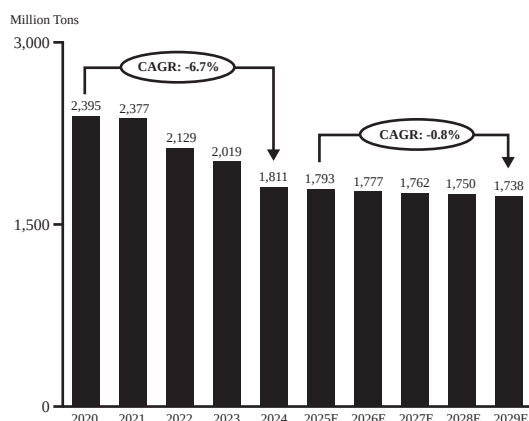
Source: Frost & Sullivan Analysis

CHINA CEMENT MARKET ANALYSIS

As the world's second-largest economy, China is projected to maintain steady economic growth, with real GDP in RMB expected to grow at a CAGR of 4.0% from 2025 to 2029. This outlook is supported by robust fixed asset investment, which is forecast to increase from USD7.2 trillion in 2025 to USD8.7 trillion by 2029, representing a CAGR of 5.0%. A significant portion of this investment will be allocated to large-scale infrastructure renewal and urban residential renovation projects. For example, the Urumqi Urban Renewal Project and the Shanghai Inner Ring Elevated Road Renovation Project are expected to generate incremental demand for cement. However, overall cement demand in China is expected to remain subdued, primarily due to ongoing weakness in the property sector. There are also considerable regional differences. For instance, western regions are expected to benefit more from the Western Development Strategy and regional economic belt policies. These initiatives are likely to drive higher levels of infrastructure investment and, as a result, increase cement demand in those areas.

In response to the subdued market dynamics, the Chinese government issued a slew of policies including the Building Materials Industry Steady Growth Work Plan (《建材工業穩增長工作方案》), the Special Action Plan for Energy Conservation and Carbon Reduction in the Cement Industry (《水泥行業節能降碳專項行動計劃》), aiming at encouraging capacity closures using a mix of strict enforcement of capacity replacement policies, the elimination of excess production beyond registered capacity and the implementation of enhanced environmental and energy efficient standards. Industry players are now focusing on peak-shifting production and capacity replacement to curb excessive supply. Ongoing M&A, restructuring and capacity closures are expected to further consolidate the industry and enhance market concentration as part of the PRC Government's anti-involution policies in the cement and other over-supplied industries.

**Table 2 Market Size of Cement Industry
(by Production Volume), China, 2020–2029E**



Source: Frost & Sullivan Analysis

Cement prices have remained low amid sluggish demand. Supply-side capacity reduction measures are expected to support price stabilization and potential recovery, with the extent of improvement dependent on the pace and effectiveness of capacity withdrawal. Energy prices and incremental costs arising from environmental policies will continue to impact industry cost structures.

With a production capacity of 27.0 million tons in China in 2024, the Company accounts for a 0.7% market share in the market. With a production capacity of 21.7 million tons in 2024, the Company ranked first among cement companies in Shaanxi Province, with a market share of 26.3%.

**Table 4 Top Three Cement Companies
(by Capacity), China, 2024**

Rank	Company	Capacity (Million Tons)	Market Share
1	China National Building Material Group Co., Ltd.	518.0	14.3%
2	Anhui Conch Cement Company Limited	395.0	10.9%
3	BBMG Jidong Cement Group Co., Ltd	170.0	4.7%
Others		2,537.0	70.1%
Total		3,620.0	100.0%

**Table 3 Market Size of Cement Industry
(by Revenue), China, 2020–2029E**

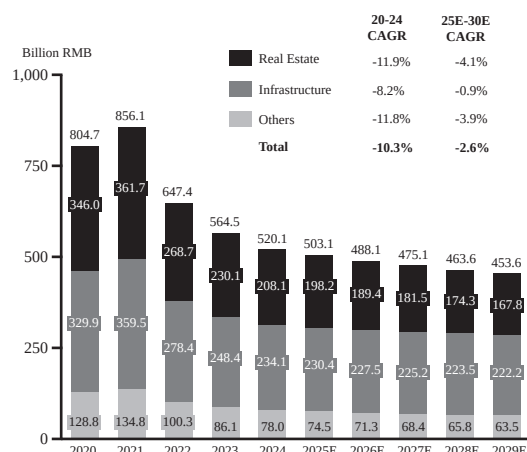


**Table 5 Top Three Cement Companies
(by Capacity), Shaanxi Province, 2024**

Rank	Company	Capacity (Million Tons)	Market Share
1	The Company	21.7	26.3%
2	BBMG Jidong Cement Group Co., Ltd	15.0	18.2%
3	Anhui Conch Cement Company Limited	10.0	12.1%
Others		35.8	43.4%
Total		82.5	100.0%

Source: Frost & Sullivan Analysis

Leading cement producers in China are advancing sustainable development by adopting modern New Suspension Preheater (NSP) technology, utilizing desulfurized gypsum and construction waste as raw material inputs, and installing residual heat recovery systems across production lines. Production lines with lower energy efficiency and higher carbon emissions will face greater pressure for elimination, while companies that achieve energy savings, emission reductions, and expand into green building materials are positioned to secure long-term competitive advantages.

AFRICA CEMENT MARKET ANALYSIS

Africa is the fastest-growing continent in the world in terms of population, with urbanization rates rising well above the global average. At the same time, the continent faces significant undersupply in key infrastructure sectors, including transportation, electricity, and water conservancy. Addressing these infrastructure gaps is a priority for African governments and international institutions, which in turn is driving strong demand for basic building materials such as cement.

Cement demand in Africa is primarily driven by urbanization. Infrastructure projects (roads, railways, ports), urban residential construction, and industrial development all contribute to this growth. Regarding market supply, in recent years, international cement manufacturers such as Holcim and Heidelberg Materials have recalibrated their strategies by divesting African assets and refocusing on

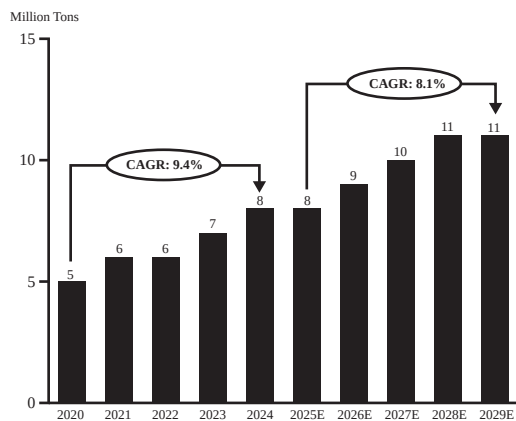
other regions, creating greater growth opportunities for local and regional players. Local companies, including Dangote, and Chinese companies are rapidly gaining market share through acquisitions and greenfield projects. Chinese cement companies have operational advantages including construction supply chain efficiencies, low-cost manufacturing and sources of capital.

Ethiopia

As one of Africa’s top five largest economies, Ethiopia is projected to see its real GDP in Ethiopian birr (ETB) grow at a CAGR of 7.6% from 2025 to 2029. The construction sector is expected to contribute over 20% to Ethiopia’s GDP in the coming years. Although Ethiopia’s urbanization rate was relatively low at 23.7% in 2024, the country’s robust economic expansion, combined with a strategic focus on modernization, is anticipated to accelerate the pace of urbanization.

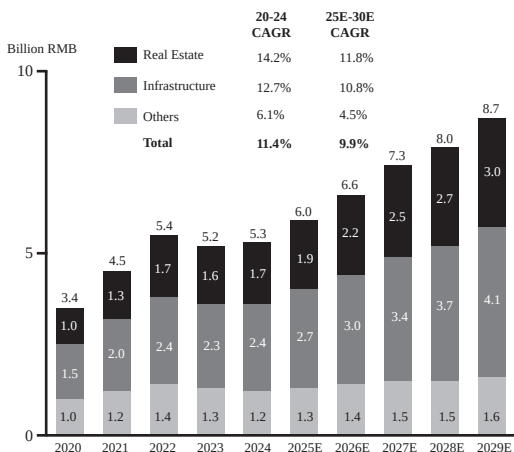
Underpinning this urban development is Ethiopia’s ambitious USD30 billion infrastructure plan, announced in 2025, which encompasses projects such as nuclear power plants, oil refineries, natural gas facilities, airport expansions, and the construction of 1.5 million housing units. This comprehensive initiative is expected to generate substantial, long-term demand for cement.

Table 6 Market Size of Cement Industry (by Production Volume), Ethiopia, 2020–2029E



Source: Frost & Sullivan Analysis

Table 7 Market Size of Cement Industry (by Revenue), Ethiopia, 2020–2029E



Despite recent capacity expansion, the market still suffers from insufficient effective supply and lower production efficiency due to unstable power supply and an underdeveloped spare parts supply chain. With the commissioning of the large-scale Lemi plant, this supply gap is being filled but there remains a significant amount of old, obsolete or inefficient capacity that still needs to be closed down. Market concentration is ongoing as capacity expansion and technological upgrades by leading players are promoting a more efficient supply side and the closure of old, obsolete or inefficient capacity.

Regarding cement prices in the country, the government lifted price controls at the end of 2024, transitioning to a market-based pricing regime. With effective supply remaining insufficient, cement prices are expected to experience moderate increases. In 2024, the Ethiopian government implemented key structural reforms, including foreign exchange liberalization under a four-year, USD3.4 billion International Monetary Fund (IMF) credit facility. This currency liberalization resulted in a sharp currency devaluation and elevated inflation but this has now begun to stabilize. While construction activity slowed temporarily due to the devaluation, the impact on cement production costs was limited, as coal and electricity can be locally sourced.

With a production capacity of 6.3 million tons in 2024, the Company ranked first among cement companies in Ethiopia, with a market share of 38.4%. Ethiopia’s cement market exhibits pronounced regional differentiation due to the large size of the country, long road haulage distances and a somewhat underdeveloped logistics infrastructure. Ethiopia is a landlocked country, so transportation costs for coal inputs and clinker or cement output are high. Location is an important factor and large modern cement plants, such as the Lemi Plant, situated close to urban and development areas have energy supply and market access advantages. Favorable government policies are expected to support exports to neighboring countries, such as South Sudan, Somalia, and Djibouti, all of which continue to face insufficient cement supply.

Table 8 Top Three Cement Companies (by Capacity), Ethiopia, 2024

Rank	Company	Capacity (Million Tons)	Market Share
1	The Company	6.3	38.4%
2	Derba Midroc Cement Pic	2.3	14.0%
3	Dangote Cement Pie	2.0	12.2%
	Others	5.8	35.4%
	Total	3,620.0	100.0%

Source: Frost & Sullivan Analysis

Note:

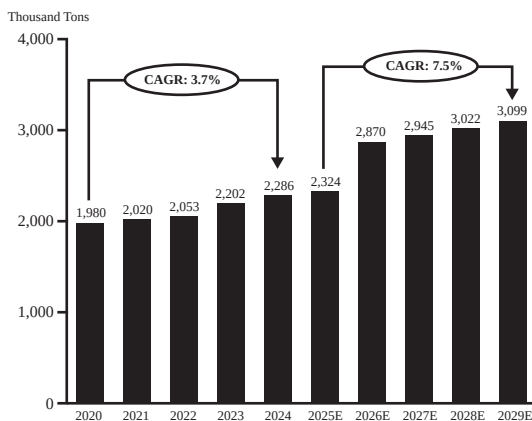
- (1) The “Others” category includes some backward or obsolete cement production capacity.
- (2) The Company has two production lines in Ethiopia, located in Lemi Town, Amhara Region, and Dire Dawa. The Lemi plant has a cement production capacity of 5 million tons, while the Dire Dawa plant has a capacity of 1.3 million tons. The Company’s Lemi plant in Ethiopia was commissioned in September 2024 and is expected to operate at full capacity in 2025.

Mozambique

Mozambique’s cement sector is experiencing significant expansion, supported by substantial growth in fixed asset investment and rising foreign direct capital inflows. Fixed asset investment is projected to expand at a remarkable CAGR of 9.3% from 2025 to 2029, reaching USD8.4 billion by 2029. Concurrently, foreign direct investment (FDI) is expected to grow at a CAGR of 7.8% from 2025 to 2029, resuming its upward trend and reinforcing capital inflows. The Mozambican government has scaled up the support for infrastructure development, such as the N1 National Highway Rehabilitation Project and the Coral North Floating Liquefied Natural Gas (FLNG) Project, bolstering the development of the cement industry. Much of this economic development is based on the expected growth and FDI inflows from offshore liquefied natural gas (LNG) development and extraction in the Rovuma basin located off the northern Mozambique coast. The government has introduced favorable policies, including VAT rebates and tariff reductions within the Southern African Development Community (SADC), in order to attract inward investment from to support a number of industries and facilitate exports to SADC member states. Furthermore, Mozambique has relaxed environmental regulations for the manufacturing industry, encouraging companies to expand production capacity in general.

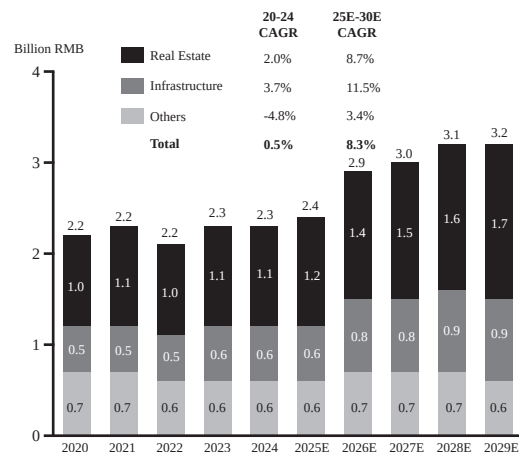
The reliance on imported clinker has resulted in high cement prices. The Company’s Maputo clinker plant, established in 2020, has long been the country’s sole clinker supply facility. In 2025, Huaxin’s newly commissioned 3,000 t/d clinker plant in Nacala reduced reliance on imports. Increased clinker supply has elevated this situation but prices remain high as clinker remain in undersupply. Looking forward, the Company’s 3,500 t/d clinker plant in Nampula, expected to be operational in 2027, will further address domestic cement demand.

Table 9 Market Size of Cement Industry (by Production Volume), Mozambique, 2020–2029E



Source: Frost & Sullivan Analysis

Table 10 Market Size of Cement Industry (by Revenue), Mozambique, 2020–2029E



With a production capacity of 2.0 million tons in 2024, the Company ranked first among cement companies in Mozambique, with a market share of 30.3%. Over the long term, companies with integrated production capacity, disciplined cost management, and well-structured geographic coverage are best positioned to succeed in industry consolidation and capitalize on infrastructure-driven demand growth. Exports are a further demand factor with seas borne exports to Madagascar and land exports to Eswatini, South Africa and Malawi amongst others.

Table 11 Top Three Cement Companies (by Capacity), Mozambique, 2024

<u>Rank</u>	<u>Company</u>	<u>Capacity (Million Tons)</u>	<u>Market Share</u>
1	The Company	2.0	30.3%
2	Huaxin Cement	1.3	19.7%
3	Limak Cimentos S.A.	0.9	13.6%
	Others	2.4	36.4%
	Total	6.6	100.0%

Source: Frost & Sullivan Analysis

Note:

- (1) Apart from the top two producers, the remaining plants are limited to grinding capacity. Over the past few years, the Company has sold around 25% of its clinker production to these third-party grinding stations.
- (2) The Company's production line in Mozambique is located in Maputo. The Nampula 3,500 td clinker and cement plant is scheduled to be commissioned in 1Q 2027. The Company is expected to add 1.5 million tons of production capacity in Q4 2026.

Great Lakes Region¹

The Democratic Republic of the Congo (DRC) is the most populous and largest country in the Great Lakes region. Cement demand in the DRC is primarily driven by mineral extraction and mining activities in the central and eastern parts of the country. The capital city, Kinshasa, with a population of 20 million, accounts for up to 2 million tons of annual cement demand for construction activities. To further incentivize industry development, the DRC has granted VAT exemptions on cement. In Rwanda, cement demand is largely fueled by infrastructure projects, such as the Bugesera International Airport, which is accelerating in 2025 with a USD2 billion investment and is targeting first-phase completion by 2027. Additionally, Rwanda continues to attract high levels of FDI, which is expected to grow at a CAGR of 10.4% from 2025 to 2029. Transportation represents a major cost in the region. For example, the distance from Kinshasa to Kalemie by road is approximately 2,400 kilometers. Cement demand has also been affected by ongoing armed conflict in Eastern DRC, which has disrupted both local construction activity and the transportation of clinker into the other Great Lakes Economies of Rwanda, Burundi and Eastern Tanzania around Kigoma.

¹ In previous Sections, the Company defines its Great Lakes operation as two separate markets. Firstly, the Company has the area surrounding its Great Lakes Plant in Kalemie, Eastern DRC, which includes sales into Eastern and central DRC, Rwanda, Burundi and a small part of the west of Tanzania around Kigoma. Secondly, there is the area around DRC's capital city Kinshasa, where the Company is due to finalize the purchase of the CILU plant. This region is over 2,400 km by road from the Company's Great Lakes Plant in Kalemie and is therefore a wholly separate market. Furthermore, eastern Tanzania, on the Indian Ocean coast and around its capital city Dar Es Salaam, also has a significant amount of installed capacity but this is also a wholly separate market due to road transportation distances of close to 1,900 km. In the Industry Section, the data for the Great Lakes Region includes data of three countries, namely Rwanda, Democratic Republic of Congo, and Burundi.

**Table 12 Market Size of Cement Industry
(by Production Volume), Great Lakes Region,
2020–2029E**

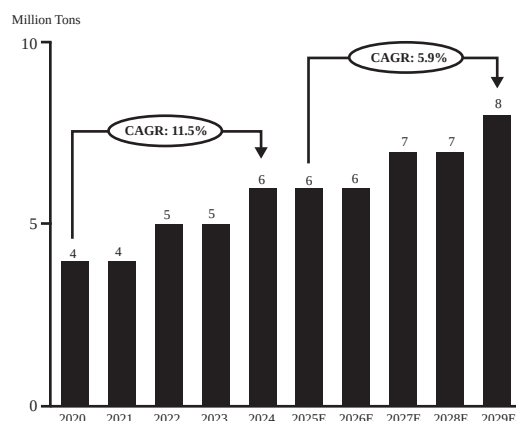
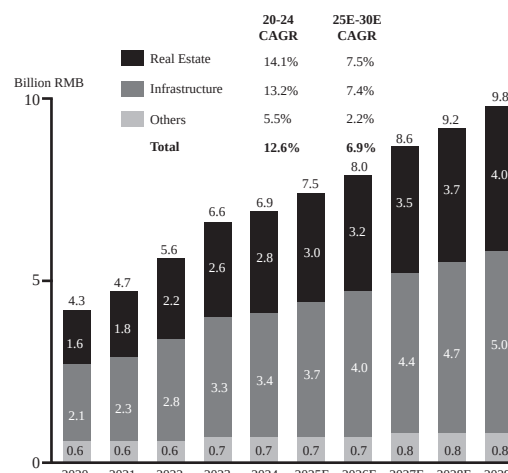


**Table 13 Market Size of Cement Industry (by
Revenue), Great Lakes Region, 2020–2029E**



Source: Frost & Sullivan Analysis

Regarding market supply, the Kinshasa area has four medium sized cement plants that satisfy demand in the capital city and surrounding region. Before the commissioning of the Company's plant in December 2022, eastern DRC, Rwanda and Burundi were faced with little clinker capacity, fragile supply chains and outdated cement production facilities or grinding stations. It was highly dependent on imported clinker, resulting in a severe shortage of effective supply. The commissioning of the Company's large-scale integrated plant has significantly increased local clinker self-sufficiency.

Cement prices countrywide remain significantly higher than in other African countries due to supply bottlenecks and high logistics costs. Cement prices around the capital city Kinshasha are more reasonable due to a number of clinker and cement production lines. The outlook for cement prices in Kinshasha remains more balanced as there is good supply in the region. Demand is expected to improve when there is an improvement in the conflict around Goma and this is likely to lead to upward pressure on prices.

With a production capacity of 3.7 million tons in 2024, the Company ranked the first among cement companies in Great Lakes Region, with a market share of 41.1%. Additionally, the Company has expanded its production capacity into the western part of the DRC through the acquisition of the CILU plant. This transaction is expected to be completed by the end of 2025. Upon completion, the acquisition will position the Company as the largest single clinker producer in the DRC and establish core markets for its operations in both the capital city of the DRC and the eastern region, with export potential to other Great Lakes economies.

Table 14 Top Three Cement Companies (by Capacity), Great Lakes Region, 2024

Rank	Company	Capacity (Million Tons)	Market Share
1	The Company	3.7	41.1%
2	Wanpeng Cement	1.5	16.7%
3	PPC Cement	1.4	15.6%
Others		2.4	26.6%
Total		9.0	100.0%

Source: Frost & Sullivan Analysis

Note:

- (1) DRC's capital city Kinshasa, where the Company is due to finalize the purchase of the CILU plant, is over 2,400 km by road from the Company's Great Lakes Plant in Kalemie and is therefore a wholly separate market.
- (2) The Company's production lines in the Great Lakes region are located in Kinshasa-Lukala in western DRC, Kalemie in eastern DRC, and Kigali in Rwanda. The acquisition of the Company's plant in Kinshasa-Lukala is expected to be completed by December 2025.

Uganda

Uganda's robust population and economic growth provide a strong foundation for ongoing urbanization and infrastructure development. The population is projected to grow from 46.6 million in 2024 to 55.6 million by 2029, reflecting a CAGR of 3.7%, one of the highest rates in Africa. At the same time, Uganda's real GDP in Ugandan Shilling (UGX) is expected to expand at a CAGR of 7.3% from 2025 to 2029. The resulting demand for housing, infrastructure, and major investments in transportation and energy will serve as key growth engines for the cement industry, such as the development of the Lake Albert oil field and the construction of the East African Crude Oil Pipeline. Furthermore, continued investment in large-scale infrastructure projects under the National Resistance Movement (NRM) Manifesto 2021–2026 is expected to further stimulate cement consumption.

**Table 15 Market Size of Cement Industry
(by Production Volume), Uganda, 2020–2029E**

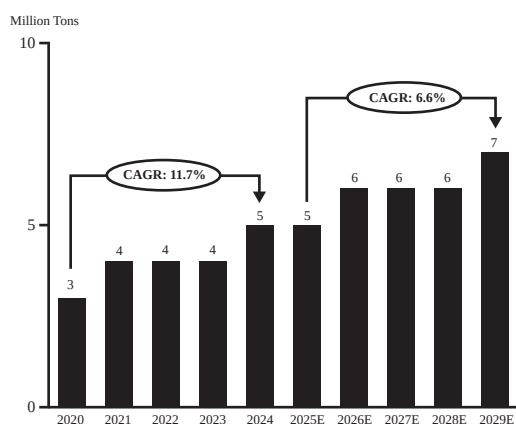
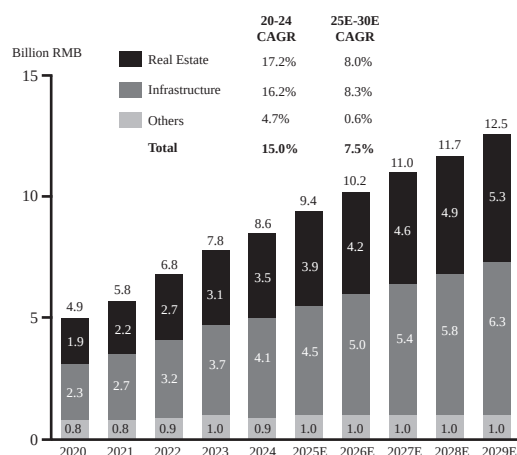


**Table 16 Market Size of Cement Industry
(by Revenue), Uganda, 2020–2029E**



Source: Frost & Sullivan Analysis

Cement supply in Uganda is constrained by a lack of clinker supply. There are limited limestone reserves in the country and only one plant currently operating is able to supply sizable amounts of clinker. The country has been reliant on clinker imports from Kenya by road which has resulted in high domestic cement prices and unstable demand.

With the Company's new 3.0 million tons of production capacity anticipated to be operational in Q1 2026, the Company will rank first among cement companies in Uganda, with a market share of 35.5%. The commissioning of the Company's 6,000 t/d clinker plant, located next to one of the few remaining sizable limestone deposits in the country, is expected to alleviate supply constraints. Looking ahead, companies with in-house clinker production or stable raw material sources will gain a strong edge in supply chain security and cost competitiveness.

Table 17 Top Three Cement Companies (by Capacity), Uganda

Rank	Company	Capacity (Million Tons)	Market Share
1	The Company	3.0	35.5%
2	Simba Cement	1.6	18.3%
3	Hima Cement	1.1	13.0%
	Others	2.8	33.2%
	Total	8.5	100.0%

Source: Frost & Sullivan Analysis

Note:

- (1) The Company has two production lines in Uganda, located in Moroto City and Jinja City. The Moroto plant has a capacity of 1 million tons, with only a 1-million-ton grinding system constructed. The Jinja plant has a capacity of 2 million tons. These two plants are scheduled to be commissioned in the first quarter of 2026.

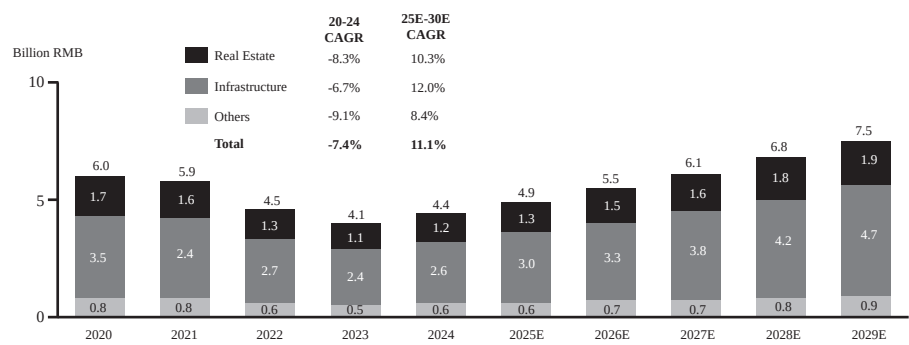
OTHER CEMENT MARKET ANALYSIS

Uzbekistan

Uzbekistan is experiencing a strong resurgence in FDI, which rebounded by 31.5% in 2024, rising from USD2.2 billion in the previous year to USD2.8 billion. FDI is projected to grow at a robust CAGR of 8.3% from 2025 to 2029, providing critical capital to support large-scale infrastructure and industrial projects, such as the Karakalpakstan wind power project. At the policy level, President Shavkat Mirziyoyev signed and promulgated the “Strategy for the Development of New Uzbekistan for 2022–2026” in early 2022, which aims to accelerate the development of the building materials industry, increase cement production to 20.2 million tons by 2026, and enhance the output of high-quality and specialty cements supported by energy-saving technologies. In addition, the launch of the “2030 Transport Corridor” strategy in 2025 approved over USD3 billion in investment to upgrade the national road network. Collectively, these initiatives are expected to serve as key growth engines for Uzbekistan’s cement market in the years ahead.

Over the past few years, robust policy support for capacity expansion has prompted Chinese cement companies to embark on extensive plant construction, resulting in significant overcapacity across the industry. This oversupply, combined with intense price competition, has caused cement prices to decline steadily from previously high levels. In response, the government began suspending approvals for new cement plant construction in 2024. Industry consolidation has been driven both by policy measures aimed at optimizing capacity and by companies seeking to enhance their competitiveness through integrated and efficient resource allocation. The focus of competition in the sector is shifting from capacity expansion to cost control and supply chain efficiency.

Table 18 Market Size of Cement Industry (by Revenue), Uzbekistan 2020–2029E



Source: Frost & Sullivan Analysis

With a production capacity of 2.5 million tons in Uzbekistan in 2024, the Company accounts for a 5.8% market share. Looking ahead, companies are expected to actively pursue export opportunities, especially in neighboring Central Asian countries, to absorb excess capacity. At the same time, tightening environmental regulations will accelerate the transition toward green and low-carbon production.

Table 19 Top Three Cement Companies (by Capacity), Uzbekistan, 2024

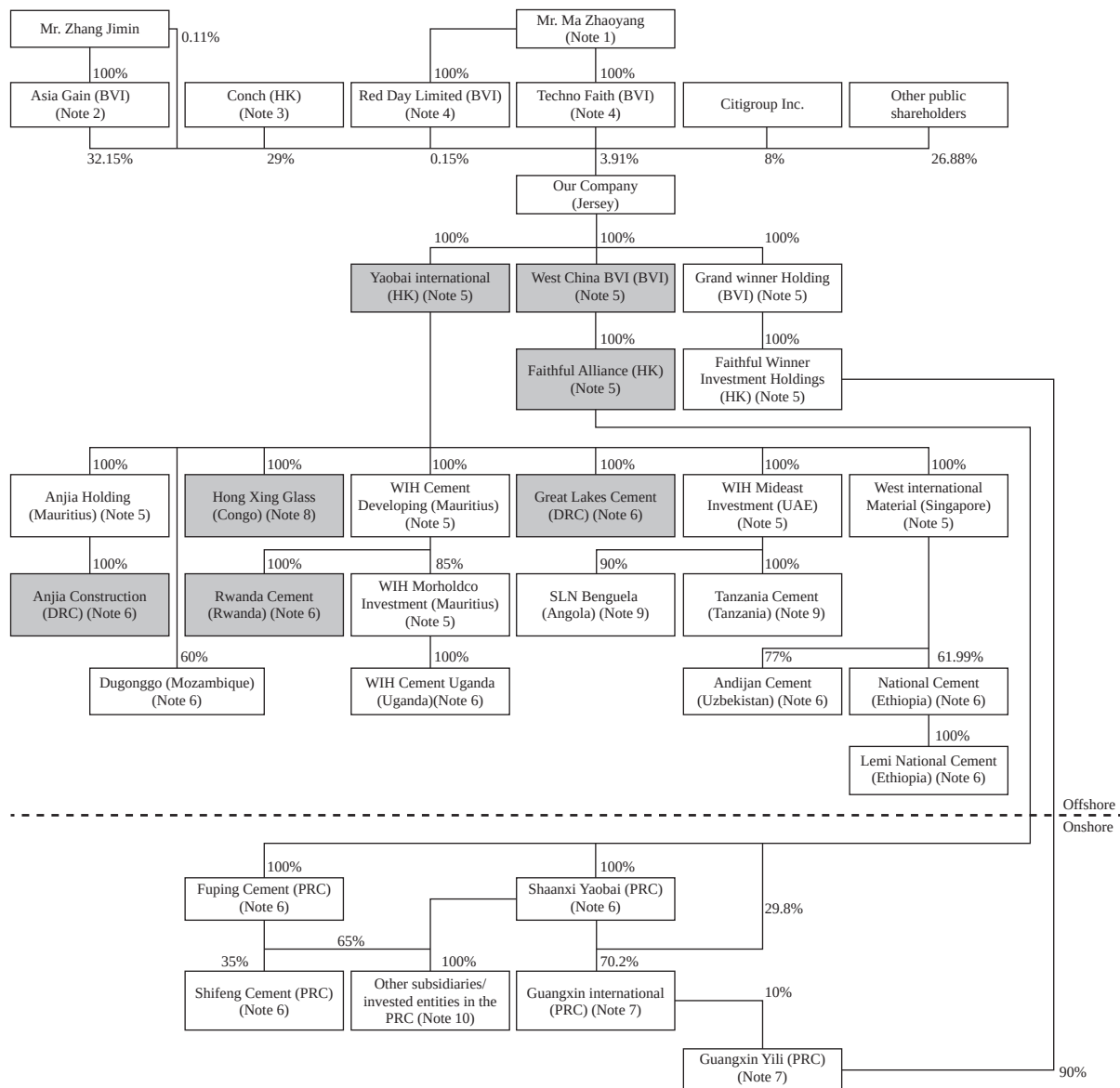
Rank	Company	Capacity (Million Tons)	Market Share
1	Anhui Conch Cement Co., Ltd	6.5	15.2%
2	Navoi Cement	4.0	9.3%
3	China Gezhouba Group Company	3.2	7.5%
Others		29.2	68.0%
Total		42.9	100.0%

Source: Frost & Sullivan Analysis

Note: The Company’s production line in Uzbekistan is located in the Andijan Region.

CORPORATE STRUCTURE

Below is the simplified corporate structure chart of our Group, which does not show certain immaterial subsidiaries as of the date of this Offering Memorandum. Entities shaded in grey will be the Subsidiary Guarantors.



Notes:

- (1) Mr. Ma Zhaoyang is a non-executive director.
- (2) The principal business activity of Asia Gain is investment holding.
- (3) Conch is beneficially and wholly-owned by Anhui Conch Cement Co., Ltd., which is owned as to approximately 36.4% by Anhui Conch Cement Group Ltd. (安徽海螺集團有限責任公司) and which is in turn indirectly controlled by China Conch Venture Holdings Limited.
- (4) The principal business activity of Techno Faith Investments Limited (科信投資有限公司) and Red Day Limited is investment holding.
- (5) The principal business activity of each of our Company, Yaobai International, West China BVI, Grand Winner Holding, Faithful Alliance, Faithful Winner Investment Holdings, Anjia Holding, WIH Cement Developing, WIH Mideast Investment, West International Materials and WIH Morholdco Investment is investment holding.
- (6) The principal business activity of each of these companies is production and sales of cement.
- (7) The principal business activity of each of these companies is finance lease business.
- (8) The principal business activity of Hongxing Glass is production and sale of glass.

- (9) The principal business activity of SLN Angola is production and sale of gypsum.
- (10) The equity rights of Xiushan Yaobai, Mianxian Yaobai and Guizhou Linshan have been pledged to China Minsheng Bank Corp., Ltd., Xi'an branch.
- (11) Certain overseas subsidiaries are not presented in the above corporate structure as they are either investment holding, dormant entities or entities with insignificant operations as of the date of this Offering Memorandum.
- (12) Further details relating to our other principal subsidiaries are set out in the table below:

Name of entity		% of ownership interest/voting power held by our Company	Principal business
1.	Xi'an Lantian Yaobai Cement Co., Ltd (西安藍田堯柏水泥有限公司)	100%	Production and sale of cement
2.	Ankang Yaobai Cement Co., Ltd (安康市堯柏水泥有限公司)	100%	Production and sale of cement
3.	Hanzhong Yaobai Cement Co., Ltd (漢中堯柏水泥有限公司)	100%	Production and sale of cement
4.	Hanzhong Mianxian Yaobai Cement Co., Ltd (漢中勉縣堯柏水泥有限公司)	100%	Production and sale of cement
5.	Xi'an Yaobai Material Co., Ltd (西安市堯柏物資有限公司)	100%	Purchase and sale of raw materials
6.	Hanzhong Xixiang Yaobai Cement Co., Ltd (漢中西鄉堯柏水泥有限公司)	100%	Production and sale of cement
7.	Shangluo Yaobai Longqiao Cement Co., Ltd (商洛堯柏龍橋水泥有限公司)	100%	Production and sale of cement
8.	Shangluo Yaobai Xiushan Cement Co., Ltd (商洛堯柏秀山水泥有限公司)	100%	Production and sale of cement
9.	Ankang Yaobai Jianghua Cement Co., Ltd (安康堯柏江華水泥有限公司)	100%	Production and sale of cement
10.	Hancheng Yaobai Yangshanzhuang Cement Co., Ltd (韓城堯柏陽山莊水泥有限公司)	80%	Production and sale of cement
11.	Guizhou Linshan Cement Co., Ltd (貴州麟山水泥有限責任公司)	100%	Production and sale of cement
12.	Tongchuan Yaowangshan Ecology Cement Co., Ltd (銅川藥王山生態水泥有限公司)	100%	Production and sale of cement
13.	Pucheng Yaobai Special Cement Co., Ltd (蒲城堯柏特種水泥有限公司)	100%	Production and sale of cement
14.	Shaanxi Fuda Mining Engineering Co., Ltd (陝西富達礦山工程有限公司)	100%	Production and sale of cement
15.	Shaanxi Fengsheng Deyuan Shiye Co., Ltd (陝西豐盛德遠實業有限公司)	55%	Production and sale of cement
16.	Shaanxi Xinyida Jiancai Construction Materials Development Co., Ltd. (陝西新意達建材產業發展有限公司)	60%	Sale of cement and related material
17.	Mozambique Dugongo Cimentos, S.A	60%	Production and sale of cement and related material
18.	Great Lakes Cement SAS.	100%	Production and sale of cement
19.	National Cement Share Company	61.99%	Production and sale of cement
20.	Lemi National Cement PLC	61.99%	Production and sale of cement
21.	Andijan WCC Cement	77%	Production and sale of cement and related material
22.	WIH Rwanda Cement Co., Ltd	100%	Production and sale of cement
23.	WIH Tanzania Cement Limited	100%	Production and sale of cement
24.	WIH Cement Uganda — SMC Limited	85%	Production and sale of cement
25.	Hong Xing Glass Congo SARL	100%	Production and sale of glass
26.	Anjia Construction SARLU	100%	production and sales of construction products and prefabricated housing units
27.	SLN Fabrica Cimento Clinker Benguela, S.A.	90%	Production and sale of gypsum

BUSINESS

OVERVIEW

We are one of the leading cement producers in Shaanxi Province, the PRC, with a leading market position in Southern Shaanxi and Eastern-Central Shaanxi as well as presence in Guizhou and Sichuan Provinces. Since 2020 we have also been expanding overseas and now have a growing presence in Sub-Saharan Africa and Central Asia, with production capacity in Ethiopia, Mozambique, the Democratic Republic of Congo (the “DRC”), Rwanda, Tanzania and Uzbekistan. We are also constructing a production facility in Uganda. In China, our cement is principally sold under the trademarks “堯柏” (Yao Bai) and “堯柏水泥” (Yaobaishuini) among others, and is primarily used in the construction of infrastructure projects such as highways, bridges, railways and roads, as well as residential buildings, hydroelectric power stations, water conservancy and water transfer projects. In our overseas markets, our cement is sold under the trademarks “National Cement” in Ethiopia, “GLC” in the DRC, “CHEETAH” in Rwanda, “DUGONGO” in Mozambique, “QILIN Cement” in Tanzania, “YAOBAI CEMENT” in Uganda and “WEST” in Uzbekistan. Our ordinary shares have been listed on The Stock Exchange of Hong Kong Limited since August 2010.

Our cement products primarily include Ordinary Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above and Composite Portland Cement, which has a 28-day compressive strength of 32.5 MPa (or 325 kg/cm²), 42.5 MPa (or 425 kg/cm²), or above. Ordinary Portland Cement has relatively strong initial compressive strength and more resistance to abrasion and is typically used in construction projects, such as roads and bridges. Composite Portland Cement has a lower compressive strength than Ordinary Portland Cement and is commonly used for general industrial and civil buildings. We also produce high quality and special cement products such as Pozzolan Portland Cement, masonry cement and oil well cement tailored to our customers’ needs.

We have recently embarked on a significant restructuring of our assets as we continue to pursue growth in new overseas markets. In January and May of 2025, we announced our agreements to acquire (the “CILU Acquisition”) an aggregate of 98.77% equity interest in Cimenterie de Lukala SA (“CILU”) that owns and operates an integrated cement plant in Lukala, which is near Kinshasa, the capital city of the DRC. This acquisition is currently expected to close by the end of 2025. In August 2025, we completed the disposal of our entire operations in Xinjiang Province, comprising four plants totaling 3.5 million tons of cement production capacity.

Since 2020, we have expanded our production into overseas markets in Sub-Saharan Africa and Central Asia, supplying its cement products to infrastructure, urban and rural development markets in these continents. We have built a significant presence in the Ethiopia cement market, have one of only two operational clinker plants in Mozambique (with another plant under construction in the north of the country) and have built the largest clinker and cement operation in the Great Lakes region of the DRC, Rwanda and western Tanzania, as well as a production facility in Uzbekistan. Our Group defines our Great Lakes operation as two separate markets. Firstly, we have the area surrounding our Great Lakes Plant in Kalemie, Eastern DRC, which includes sales into Eastern and central DRC, Rwanda, Burundi and a small part of the west of Tanzania around Kigoma. Secondly, there is the area around DRCs capital city Kinshasa, where we are due to finalize the purchase of the CILU plant. This region is over 2,400 km by road from our Great Lakes Plant in Kalemie and is therefore a wholly separate market. Following the completion of the CILU Acquisition, we will extend our market coverage into the west of the DRC, becoming the largest producer in the DRC. We also aim to complete the construction of our cement and grinding capacity in Uganda in the first half of 2026. This market is a natural geographical extension of the Great Lakes region and we believe this new capacity will help us to strengthen our position as one of Sub-Saharan and East Africa’s major cement producers.

As of June 30, 2025, we had a total annual cement production capacity in China of 28.5 million tons, comprising 17 cement production lines, with 21.7 million tons in Shaanxi Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province and 3.5 million tons in Xinjiang (which was disposed of in August 2025). In our overseas markets, we had a total annual cement production capacity (including grinding capacity) of 13.6 million tons, comprising 7 production lines, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique and 1.5 million tons in the DRC, as well as 1 million tons of cement grinding capacity in Rwanda and another 300,000 tons of grinding capacity in Tanzania. Subject to completion of the CILU Acquisition and additional capital expenditure investment and implementation of technical modifications, it is expected that CILU will have a designed total annual production capacity of 1.2 million tons, and our total annual cement

production capacity outside of the PRC is expected to increase to 14.8 million tons. In addition, we have a further 4.5 million tons of cement production capacity currently under construction in Mozambique and Uganda.

In recent years, we have supplied cement to a number of key infrastructure projects, including Yunan-Yulin-Eerduosi High-Speed Railway, the Huaneng Power — Coal Transportation Railway, the Huyi to Zhouzhi to Meizian Expressway, the Provincial Highway 209, the G210 Reconstruction and Expansion (Linton to East Third Ring Road), the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II and Phase III), the Beijing to Kunming Expressway, the West 10 High Speed Railway and the Lanzhou-Hanzhong-Shiyan High Speed Railway. Our large projects, such as Xi'an to Shiyan High-Speed Railway has consumed over 840,000 tons of cement in 2024 and 350,000 tons of cement in the first half of 2025 and Xi'an to Ankang to Chongqing High-Speed Railway has consumed 465,000 tons of cement in the first half of 2025.

Our operations in China have continued to be affected by a relatively subdued construction market due to low levels of infrastructure and real estate demand growth. We experienced a downward trend in the average selling prices in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang Provinces in 2023 and 2024 but due to supply side discipline with peak-shifting production halts and increased environmental controls in limiting excessive oversupply, we had some modest improvements in average selling prices in China in the six months ended June 30, 2025 compared to the same period in 2024. We have also continued to implement efficiency enhancements and cost-control measures, and maintained costs at relatively stable levels in recent years. On the other hand, our operations in the newer overseas markets have experienced significant growth. Cement has been in undersupply in many of these markets, and our new capacity since 2020, either acquired and upgraded or constructed, has met increasing cement and clinker demand for primarily construction purposes. Our sales volumes in Mozambique, the DRC and Ethiopia have increased significantly since 2020 and their greater margin contribution has resulted in healthy overall margins for us. In the first half of 2025, while our overseas cement and clinker sales volumes amounted to 38.5% of our total sales volumes, our overseas markets accounted for approximately 43% of our total revenue and 57% of our gross profit.

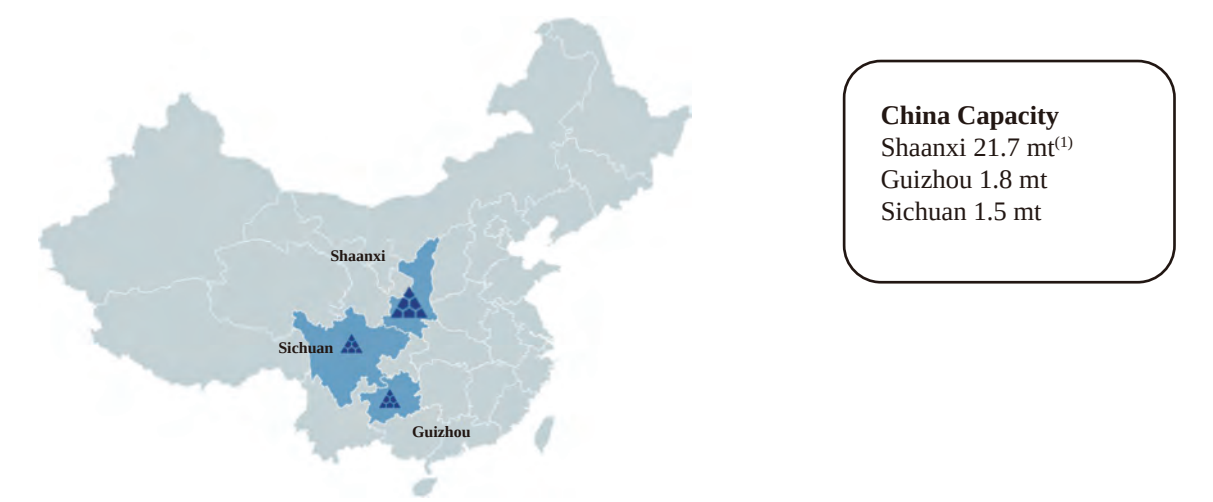
We are committed to working towards the highest industry standards with regard to the environment and emission controls. All of our production facilities, in China and overseas, are modern plants employing NSP technology. The plants are situated in close proximity to their respective limestone quarries and, where necessary, limestone conveyor belts have been constructed in order to minimize transportation emissions. We also use desulfurized gypsum and construction waste as raw material inputs in some of our cement products. Fly ash from power plants and slag from iron and steel plants are also recycled as inputs into some of our cement products. Residual heat recovery systems have been installed at 11 out of 17 of our production lines in China. These systems reduce the electricity consumption at each line by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production. In 2024, these systems generated 341 million kWh of power, saving 136,300 tons of coal consumption and reducing carbon dioxide emissions by 339,800 tons. These measures have resulted in significant emission reductions. Since 2021, we have reduced our total NOx emissions from close to 7,000 tons to 4,000 tons, our sulphur dioxide emissions from 600 tons to under 300 tons and our PM emissions from 600 tons to close to 200 tons. Since 2022, energy consumption per ton of clinker produced has fallen from 916 kWh to 853 kWh and energy consumption per unit of revenue has fallen from 1.53 kWh/RMB to 1.29 kWh/RMB.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, we sold 19.3 million, 20.5 million and 20.0 million, 8.8 million and 10.8 million tons of cement and clinker, respectively. Our revenue increased from approximately RMB8,489.1 million for the year ended December 31, 2022 to approximately RMB9,020.9 million for the year ended December 31, 2023 and then decreased to approximately RMB8,344.9 million (US\$1,164.9 million) for the year ended December 31, 2024. Our revenue increased from approximately RMB3,701.8 million for the six months ended June 30, 2024 to approximately RMB5,418.3 million (US\$756.4 million) for the six months ended June 30, 2025. Our profit before tax decreased from approximately RMB1,513.3 million for the year ended December 31, 2022 to approximately RMB954.3 million for the year ended December 31, 2023 and increased to approximately RMB1,090.2 million (US\$152.2 million) for the year ended December 31, 2024. Our profit before tax increased from approximately RMB648.5 million for the six months ended June 30, 2024 to approximately RMB1,063.8 million (US\$148.5 million) for the six months ended June 30, 2025. Our profit for the year attributable to owners of the Company decreased from approximately RMB1,214.7 million for the year ended December 31, 2022 to approximately RMB421.3 million for the year ended December 31, 2023 and increased to approximately RMB626.2 million

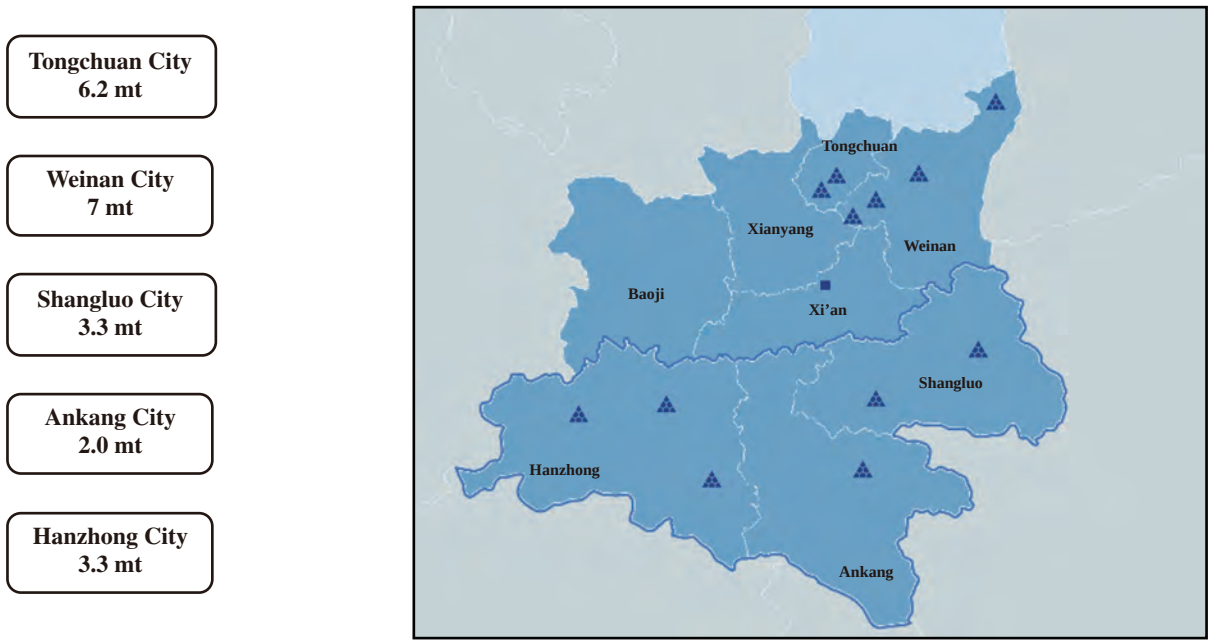
(US\$87.4 million) for the year ended December 31, 2024. Our profit for the period attributable to owners of the Company increased from approximately RMB386.9 million for the six months ended June 30, 2024 to approximately RMB748.3 million (US\$104.5 million) for the six months ended June 30, 2025.

The maps below indicate the locations of our existing production facilities in China’s Shaanxi, Guizhou and Sichuan provinces, the Sub-Saharan African countries of Ethiopia, Mozambique, the DRC, Rwanda and Tanzania and the Central Asia Republic of Uzbekistan, as well as our plants under construction in Uganda and Mozambique and our recently announced acquisition in the DRC (i.e. the CILU Acquisition) that is expected to close by the end of 2025, as of the date of this Offering Memorandum:

China



Shaanxi Province



Note:

(1) “mt” refers to million tons

Sub-Saharan Africa

Ethiopia

- **National Cement:** Acquired October 2020. 3,200 t/d clinker capacity.
- **Lemi National Cement:** Commissioned August 2024. 10,000 t/d clinker capacity.



Lemi National Cement, Ethiopia

Great Lakes Region

- **Great Lakes Cement SAS:** Commissioned December 2022. 3,500 t/d clinker capacity.
- **Rwanda Grinding Mill:** Commissioned August 2023. 1mt per annum cement capacity.
- **Cimenterie de Lukala (CILU):** 2025 acquisition. 2,500 t/d clinker capacity.
- **WIH Tanzania Grinding Mill:** Commissioned July 2025. 300,000 per annum cement capacity.

*Expected completion 2H2025



Great Lakes Cement Plant, DRC



Dugongo Cement, Mozambique

Uganda

- **WIH Uganda Moroto SMC:** 1Q2026 expected commissioning. 6,000 t/d clinker capacity.
- **WIH Uganda-Jinja Grinding Mill:** 1Q2026 expected commissioning. 1.5mt per annum cement capacity.

Mozambique

- **Dugongo Cement:** Commissioned December 2020. 5,000 t/d clinker capacity.
- **Dugongo Cement Nampula:** 1Q2027 expected commissioning. 3,500 t/d clinker capacity.



Central Asia



Uzbekistan

•Andijan WCC Cement:
Commissioned May 2024. 6,000
t/d clinker capacity.

OUR MILESTONES

The below table summarizes the key events and achievements in the history of our Group:

Year	Development Milestones	Year-end Cement Capacity (million tons)
2004	Our first NSP production facility was commissioned in Pucheng, Weinan City	1.4
2006	Our Company was listed on the London Stock Exchange AIM market, raising GBP22 million	
2007	Our second production facility in Lantian, Xi'an was commissioned	3.6
2009	Our Xunyang production facility, in Ankang City in southern Shaanxi, was commissioned	
	Our first acquisitions, the Zhen'an and Danfeng Plants in Shangluo City in southern Shaanxi, were completed	
	These three plants established our southern Shaanxi core market	8.5
2010	Our Yangxian and Mingxian Plants, in southern Shaanxi, were commissioned	
	Our Company was delisted from the London AIM market and concurrently listed on The Stock Exchange of Hong Kong, raising HK\$1.6 billion	
	A second production line was added to the Pucheng Plant in Weinan	
	The Jianghua Plant, in Ankang City, was acquired, completing the establishment of a leadership position in southern Shaanxi	12.5
2011	Our Company issued a USD400 million 5-year senior note with a 7.5% coupon	
	The Hetian Plant, in Hotan City, Xinjiang Province was acquired	
	Our Xixiang Plant, in Hanzhong City, southern Shaanxi, was commissioned	
	The Weinan Plant, in Weinan City, Shaanxi Province, was acquired	16.2

Year	Development Milestones	Year-end Cement Capacity (million tons)
2012	A second production line was added to the Danfeng Plant The Shifeng and Fuping Plants, both in Weinan City, were acquired, strengthening our presence in the Xi'an Metropolitan market The Yutian Plant, in Hetian City, Xinjiang, was commissioned	23.7
2014	Our Lantian Cement Kiln Waste Sludge Treatment Facility, the first of such facility in North West China, was commissioned and started treating Xi'an city waste Our Company issued a USD400 million 5-year senior note with a 6.5% coupon, redeeming the 2011 senior notes	
2015	The Yili Plant, in Yili Kazakh Autonomous Region, Xinjiang Province and the Huaxi Plant, in Guiyang, Guizhou Province were commissioned Conch International Holdings (HK) Limited, a subsidiary of Anhui Conch Cement Company Limited, subscribed for new shares in our Company equal to approximately 16.67% of the enlarged share capital of our Company The Yaowangshan Cement Plant, in Tongchuan City, Shaanxi Province, was acquired	29.2
2016	The Fuping Plant Municipal Waste Treatment Facility was commissioned	29.2
2017	The Mianxian Plant Solid Waste Treatment Facility was commissioned	29.2
2018	Four aggregates production lines with total capacity of 7 million tons were commissioned	29.2
2019	Our Company's 2014 senior notes were repaid at maturity Production capacity of aggregates and commercial concrete was raised to 15 million tons and 4.55 million cubic meters, respectively	29.2
2020	Our Moyu Plant, in Hetian City, Xinjiang Province was commissioned Commercial concrete capacity was increased to 9.8 million cubic meters Our first overseas facility, the Dugongo Cement Plant next to Maputo, the capital of Mozambique, was commissioned	33.2
2021	Clinker production at our older plants in Lantian, Pucheng, Jianghua, Yaowangshan in Shaanxi Province and Hetian and Yutian in Xinjiang Province were decommissioned as we increased our environmental controls and efficiency to meet evolving emission standards Our Tongchuan Plant in Shaanxi Province was commissioned Our Company issued a USD600 million 5-year senior note with a 4.95% coupon	29.0

Year	Development Milestones	Year-end Cement Capacity (million tons)
2022	The Paomashan Plant in Kangding City, Sichuan Province was first consolidated Our second overseas plant and first plant in Ethiopia, the National Cement Plant was purchased, upgraded and commissioned Our Great Lakes Cement Plant, in Kalemi in the DRC, was commissioned	33.3
2023	Our Rwanda Cement Grinding Mill, part of our Great Lakes region cement capacity, was commissioned	33.3
2024	Our first capacity in Central Asia, the Andijan Plant in Uzbekistan, was commissioned Our National Cement Lemi Plant, the largest single production line in Africa, 150 km from Ethiopia's capital Addis Ababa, was commissioned	39.3
2025	Our Acquisition of the CILU plant, close to the DRC capital Kinshasa, was announced.* Our cement grinding mill in Kigoma, Tanzania was commissioned The Xinjiang Province cement assets, comprising four plants totalling 3.5 million tons of cement production capacity, were disposed of	38.5

* CILU Acquisition expected to close by the end of 2025. Year-end cement capacity assumes completion of the CILU Acquisition.

The above capacity does not take into account our overseas grinding mills in Rwanda and Tanzania, which have 1.0 million tons and 300,000 tons cement capacity, respectively.

OUR STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors and will continue to contribute to our success in the future:

Over the past 20 years, we have built a strong cement production asset in Shaanxi Province in China where we are the leading cement producer.

Our Group is the largest cement producer in Shaanxi Province. According to ccement.com (中國水泥網), we ranked first in Shaanxi Province in 2024 in terms of installed clinker capacity, with a production capacity of 19.03 million tons and a 30% market share in the province. Our Group has received a number of awards and recognitions in recent years, including being ranked in the “Top 50 Building Materials Enterprises” and “Top 10 Private Building Materials Enterprises” by the China Building Materials Enterprise Management Association; and recognized by the China Cement Association as one of the “Top 50 Enterprises in National Cement Clinker Production Capacity for 2024”. We have a total annual cement production capacity of approximately 21.7 million tons in China. All of our plants are modern NSP facilities. Our clinker and cement production facilities are concentrated in the central and southern parts of Shaanxi Province. Central Shaanxi is dominated by Shaanxi’s capital city Xi’an and has the highest levels of population in the province. In this central region, we are a competitive player in the Weinan and Tongchuan regions to the North and West of Xi’an. We also have some cement grinding capacity in the Xi’an area, where all clinker capacity has been closed down for environmental reasons. Southern Shaanxi is a mountainous area with lower populations and we are the dominant player in this part of the province in Hanzhong, Ankang and Shangluo regions and we have market share ranging from 65% to 100% in these regions

Our Group has built this leading position in Shaanxi Province over a period of over 20 years. Our first modern NSP clinker and cement production line, the 1.5 million tons Pucheng Plant, was commissioned in 2004 to supply cement to the Weinan region of Shaanxi province as well as to Xi’an, the capital of Shaanxi Province. We subsequently built our second production facility at Lantian, a 2.2 million tons plant in close proximity to Xi’an, in 2007. At the time, the Lantian Plant was the closest cement production line to the Xi’an metropolitan market and gave us a distinct advantage in marketing our products into Shaanxi’s capital city.

Although the Lantian Plant was important in establishing us as a major cement player in central Shaanxi and Xi’an, our crucial move came in 2009 when we commissioned the Xunyang Plant, in the Ankang region in southern Shaanxi Province. Our Group had identified two key factors in the province. First, the area around Xi’an and central Shaanxi had plentiful limestone and was likely to become an area of intense competition; and second, the south of the province (the Shangluo, Ankang and Hanzhong regions — please refer to the map above on page 95), situated in the Qingling Mountains, had limited limestone reserves and was far away from the central region, making it expensive to transport cement there. Cement is a bulky product and transportation distance is a crucial factor in the end-user cost of cement. Southern Shaanxi is an area of lower population than the central region but is important in terms of transport links, and infrastructure development, linking North West China with Sichuan Province and the west of China. We therefore focused our attention and financial resources on expansion in southern Shaanxi, acquiring three plants and building two plants over 2009 and 2010 following the commissioning of the Xunyang Plant. This established our core market in the south, with an approximate market share of 70% in an area of lower population. Following this period, we also maintained our competitive position in central Shaanxi where, although unable to dominate in the same way as in the south, we have remained the largest player to the east and north-east of Xi’an in the Weinan and Tongchuan regions of the province.

Shaanxi Province, and its capital city Xi’an, is situated in the North west of China and has maintained its importance as an important transportation hub and economic region for the development of western China. The province has become a prime beneficiary of the PRC Government’s Western Development Strategy which targets high levels of infrastructure construction to link the western regions of China with the east and raise economic growth in these areas into the 2030s. As part of this development policy, the province is part of the Guanzhong-Tianshui Economic Development Zone which promotes the development of transportation links and social infrastructure across Shaanxi and neighboring Gansu Provinces. Our Group therefore continue to benefit from the PRC Government led infrastructure development in the region, including projects such as the Coal Transport Dedicated Line, the Lantian Airport, the Baojing National Highway 316 Reconstruction and Expansion, the Danning Expressway, the National Highway 108 Jinshui Town Bypass Section B, Xi’an East Station, the Hanzhong Longgang Interchange and the Xi’an-Chongqing High-Speed Railway. This has led to FAI growth levels in the province broadly exceeding those for China as whole. For the years ended

December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, FAI growth in Shaanxi Province was 8.1%, 0.2%, 5.2% and 5.6% compared with 5.1%, 3%, 3.2% and 2.8% for China as a whole.

This core market in southern Shaanxi, and our competitive position in central Shaanxi, is an important asset for our Group and for the cement industry in Shaanxi Province and western China as a whole. While the cement industry is currently affected by overcapacity, our southern Shaanxi asset has been able to maintain higher ASPs or higher levels of capacity utilization than production capacity in central Shaanxi or indeed elsewhere in China due to our ability to maintain market discipline in the areas we control. Our Shaanxi province asset remain a crucial asset in spite of the current industry capacity and is expected to benefit from possible future anti-involution policies by the PRC Government.

Region	Items	2022	2023	2024	1H2025
Our Group in Central Shaanxi	ASP	313.5	253.4	234.5	267.4
Our Group in Southern Shaanxi	ASP	341.1	286.2	250.6	258.2

We have focused our efforts and growth on expansion into the faster growing cement markets of Sub-Saharan Africa and Central Asia

In December 2020, we commissioned our first overseas capacity, the 2 million tons per annum cement capacity Dugongo Plant, situated close to Maputo the capital city of Mozambique in South-eastern Africa. In 2019 and 2020, we had identified a market opportunity in constructing capacity and supplying cement in Sub-Saharan Africa, and subsequently Central Asia, and we have expanded our production to supply cement products to infrastructure, urban and rural development markets in these continents. Since establishing this first plant, we have continued to pursue growth overseas and have grown steadily in Sub-Saharan Africa and Central Asia. As at December 31, 2024, our Group had a total annual cement production capacity (including grinding capacity) outside of China of 13.3 million tons, comprising 6 production lines, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique and 1.5 million tons in the DRC, as well as 1 million tons of cement grinding capacity in Rwanda. Following the closing of the acquisition of the Cimenterie de Lukala SA (CILA) cement plant at the end of 2025, with production capacity of 1.2 million tons located near Kinshasa, the capital city on the DRC, as announced on 27 January 2025 and 8 May 2025, our Group's total annual cement production capacity outside of China is expected to rise to 14.8 million tons. In addition, we have a further 4.5 million tons of cement production capacity currently under construction in Mozambique and Uganda.

Our Group believes its cement plant construction and production expertise is uniquely positioned to support and benefit from economic and cement industry development in Sub-Saharan Africa and Central Asia. Our Group's modern NSP cement production lines in these areas are mostly located in close proximity to their respective limestone reserves which minimizes emissions from transportation, and are well suited to helping raise emission standards in these areas of relatively backward capacity.

Our largest overseas operations are in Ethiopia. Following our 2022 acquisition of 61.99% of the 1.3 million tons per annum National Cement Plant in the eastern Ethiopian city of Dire Dawa, we completed the construction of and commissioned the Lemi National Cement Plant, located 130 km from Ethiopia's capital Addis Ababa in 2024. This plant has a daily production capacity of 10,000 tons of clinker and an annual production capacity of approximately 5 million tons of cement, making it the largest and most modern single production line on the African continent. The National Cement Plant has limestone reserves of up to 200 million tons only 1 km away from the plant and is situated 24 km from railway connections, providing convenience to our coal imports and clinker and cement sales. The National Cement Plant is also 330 km from the port of Djibouti, where we export some of our cement products. The Lemi plant benefits from large economies of scale, a limestone reserve of 182 million tons, plentiful low cost electricity from hydro power stations and is optimally situated for cement transportation to Addis Ababa. Both of these plants are run together with our local Ethiopian partner, East African Mining Corporation PLC, who are the minority shareholder and have a deep knowledge and experience of the Ethiopian market, which is a benefit to our operations and understanding of the local market. Ethiopia has forecast GDP growth rates of approximately 6% and cement demand is infrastructure-led with increasing road, rail and airport construction projects. Cement demand in the country is expected to top 10 million tons in 2025 and supply, which is estimated at approximately 10 million tons per annum, is partly made up of and has been constrained by old, inefficient capacity and raw material and clinker bottlenecks. Our two plants in Ethiopia represent approximately 38.4% of Ethiopia's cement capacity, making us the largest cement producer in the country.

The Dugongo Cement Plant in Mozambique, located 70 km from the capital city Maputo, was our first overseas plant with a 5,000 tons per day clinker line and approximately 2 million tons per year cement output. The plant benefits from its own limestone reserve of over 85 million tons approximately 2 km away, is 1 km away from mainline railway transport connections and is 60 km away from Maputo port, which is the major sea transportation link for Mozambique as well as the landlocked neighboring countries of Zimbabwe and Zambia. Our plant also benefits from very high quality coal, imported from mines close to Johannesburg in South Africa approximately 450 km away. Cement output is sold into the Maputo area, exported to neighboring Eswatini and South Africa and shipped to the north of Mozambique and to Madagascar. As it is one of only two clinker production lines in the country the plant also sells clinker to third party grinding stations. Mozambique has a strong demographic and urbanization profile, with longer-term growth underpinned by the expected development of large offshore liquified natural gas (LNG) exploration and development in the Rovuma basin off the northern coast. Mozambique is estimated to have 65 trillion cubic feet of recoverable gas reserves, according to Mozambique LNG Project. There are a number of very large LNG projects backed by international oil companies, including Total, Exxon Mobil and ENI, that have either been recently approved by the government or are expected to begin construction in 2026. We are currently building a new cement plant in the north of Mozambique, adjacent to this offshore LNG production area, in Nampula province. The Dugongo Nampula Plant, which is expected to be completed by the end of 2026, will have a daily clinker capacity of 3,500 tons and an approximate annual cement capacity of 1.5 million tons. The plant benefits from over 300 million tons of limestone reserves within 2 km of the plant, high quality domestic coal supply from Tete Province and is situated 15 km from the Nacala Port. Mozambique has approximately 4 million tons of annual cement demand and, once the Nampula Plant is constructed, we expect to have 40% of capacity in the country, making us the largest producer in Mozambique.

The Great Lakes region comprises our operations in the DRC, Rwanda and Tanzania. We commissioned the 3,500 tons per day clinker, 1.5 million tons per annum Great Lakes Cement Plant in Kalemie, on the shore of Lake Tanganyika, in December 2022. The plant benefits from close to 38 million tons of limestone reserves, its own coal mine 60 km from the plant operated by our wholly-owned subsidiary Makala Coal Mine and self-owned wharfs for the transshipment of clinker. Cement sales from this plant cover the areas around Kalemie and eastern DRC. We then commissioned the Rwanda Grinding Mill in August 2023 and the Tanzania Grinding Mill in July 2025 and these facilities are designed to receive clinker shipped from the Great Lakes Plant and sell our cement products into western Tanzania, Rwanda and Burundi. These markets are relatively underdeveloped and there are no clinker production or large-scale cement production lines in western Tanzania and Burundi, and only Rwanda has small-scale clinker and cement production capacity. The Great Lakes region has some of the highest GDP growth rates in Sub-Saharan Africa but is also an area that has been affected by political instability and armed conflicts in 2024 and 2025. However, the area is resource-rich with large foreign currency resource exports, and Rwanda in particular benefits from significant foreign direct investment growth that has resulted in strong economic growth. There is a shortage of cement and clinker and a lot of demand has been historically satisfied by expensive clinker imports from Tanzania and further afield. The DRC has estimated annual demand of 4 million tons of cement, Rwanda is estimated at 1 million tons, Burundi at 650,000 tons and Western Tanzania at approximately 350,000 tons. In January and May 2025, we announced the CILU Acquisition, a 1.2 million ton plant per annum next to Kinshasa, the capital of the DRC. The capital city and the west of the DRC is a separate market to the Great Lakes region, due to distance and lack of transportation links, but once this acquisition is completed we expect to be the largest cement producer in the DRC with 38% of total capacity.

We are also in the process of constructing a new production line in Uganda, which is expected to be commissioned in 2026. Having managed to secure the only significant limestone reserve in the country, we are building a 6,000 tons per day clinker plant in Moroto, north east Uganda, as well as an accompanying 1.5 million tons per year grinding station in Jinja in the south on the shore of Lake Victoria, 80 km from Uganda's capital city Kampala. This new capacity is expected to amount to approximately 3 million tons of annual cement production capacity. Historically, there has been very little clinker production in the region and the cement demand has been fulfilled by imports from Kenya. Current annual cement demand in Uganda is estimated to be 5 million tons, and growth in the country is driven by oil production and pipeline construction, and this new capacity is expected to fill the supply shortage in Uganda. Once this plant is completed, we expect to be one of the largest single cement producers in eastern Sub-Saharan Africa with over 15 million tons of capacity in total across Ethiopia, Mozambique, Uganda, the DRC and other countries in the Great Lakes region.

In Central Asia, our Andijan Plant in Uzbekistan was commissioned in May 2024 and is a New Generation II dry process cement production line with a daily clinker production capacity of 6,000 tons and an annual cement production capacity of 2.5 million tons. The plant is located in the Fergana valley,

which is approximately 350 km from the capital city Tashkent, and markets its products in the surrounding Andijan region, the capital city Tashkent and exports into Kyrgyzstan and Tajikistan. Uzbekistan has a number of large-scale infrastructure projects, including the China-Kyrgyzstan-Uzbekistan Railway, extensive road construction and over 3,000 mini hydro power stations, with housing also being a big demand driver. Future growth from resources such as oil and gas are also expected to stimulate increased economic growth and construction activity and the Fergana valley is the center of oil and natural gas production in the country. Uzbekistan, with a population of over 37 million people, has projected GDP growth of approximately 5% per annum until 2030. The country has planned a number of large-scale infrastructure projects, including the China-Kyrgyzstan-Uzbekistan Railway, extensive road construction and over 3,000 mini hydro power stations. In addition, housing is a big demand driver, with over 12 million square metres commissioned since 2024. Cement demand is forecasted at over 20 million tons in 2025 and the industry is in oversupply due to recent new capacity from the Group and the Anhui Conch Cement Company Limited group. However, the Uzbekistan government projects that the above infrastructure growth will lead to annual cement demand growth rates of 15%, old capacity is being actively shut down by the government and new capacity approvals have been suspended.

We remain very focused on our expansion into these development markets of Sub-Saharan Africa and central Asia and believe that we have the execution capability, flexibility and industry know how to solidify our position as a major producer in these markets. Our Group's focus on overseas development has been validated by its recent financial performance. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 while cement and clinker sales volumes in Africa and Uzbekistan only amounted to 1.45, 3.01, 4.04 and 4.17 million tons, representing approximately 8%, 15%, 20% and 39% of the total sales volumes of the Group, income from these overseas markets made up approximately 15%, 31%, 38% and 43% of our total revenue and approximately 28%, 53%, 67% and 57% of our gross profit.

We have a highly experienced management team with a strong track record of developing and managing cement production assets.

We have a team of executives, led by our Group Chairman Mr. Zhang Jimin, who have multiple decades of experience of managing the construction and commissioning of cement plants in China and more recently in Sub-Saharan Africa and Central Asia. Our Group has been involved in the construction and renovation of over 20 NSP clinker and cement plants since 2004. Our senior management are fully involved in the selection of our projects, according to the core market strategy principles of limestone availability and proximity to markets. Our Engineering Management Department is currently made up of 47 personnel, including 9 senior management with an average of close to 20 years cement plant construction experience.

We have worked with a number of cement plant and civil engineering contractors over the years. These relationships include Sinoma and Sinoma International, who are the world's largest cement engineering system integration service provider, with experience of constructing more than 200 production lines in over 70 countries around the world and world leading design, equipment manufacturing, civil construction and installation credentials. We have also recently worked with other contractors such as Sichuan Zigong Yunji (四川自贡云机), a leading civil engineering company specializing in industrial conveyor belt design, construction and installation. When constructing our capacity, we manage a "multi-point control, lean construction" relationship with our contractors. This involves a quality control process encompassing project preparation, feasibility studies, technology selection, equipment procurement, construction monitoring, a three-stage inspection system and final acceptance. Our own safety controls are implemented throughout the construction process and costs are monitored at every stage of the process. Our Group has been involved in a number of ground breaking construction projects over the years. Our Xunyang Plant in Ankang, which was constructed in 2009, was constructed with Asia's longest (approximately 7 km) conveyor belt system for the low emission transportation of limestone. The tubular conveyor belt spans 7 mountains and two rivers with a 462 metre vertical height difference and was constructed in cooperation with the Tianjin Cement Industry Design and Research Institute. Our Lemi Plant in Ethiopia, which was constructed with Sinoma International and commissioned in 2024, is the first ever 10,000 tons per day clinker production line and the most modern of its kind on the African continent. The plant uses new dry-process technology, with low-nitrogen emission six-stage dual-series pre-heaters and high efficiency decomposition furnaces and was constructed to completion in 20 months.

Our modern cement plants minimize emissions to levels suitable to the markets they operate in and we continue to develop our environmental expertise and emissions standards.

We are committed to working towards the highest possible industry standards with regards to the environment and emission controls in the markets that we operate in. All of the Group's production facilities, in China and overseas, are modern plants employing NSP technology. The plants are situated in close proximity to their respective limestone quarries and, where necessary, limestone conveyor belts have been constructed in order to minimize transportation emissions. The Group also uses desulfurized gypsum and construction waste as raw material inputs in some of its cement products. Fly ash from power plants and slag from iron and steel plants are also recycled as inputs into some of the Group's cement products. Residual heat recovery systems have been installed at 11 out of 17 of the Group's production lines in China. These systems reduce the electricity consumption at each line by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production. In 2024, these systems generated 341 million kWh of power, saving 136,300 tons of coal consumption and reducing carbon dioxide emissions by 339,800 tons. Proprietary technology cement kiln flue gas denitrification equipment is fitted at all of the Group's plants in China, and these reduce nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced. Further NOx reduction modifications, including the recent installation of de-nitration spray-guns, and particulate matter (PM) reduction measures, with the installation of kiln-end dust collectors and other modifications, have been completed at a number of the Group's plants. Although this de NOx technology has not yet been installed in the Group's African plants due to the supply chain constraints of transporting the hazardous ammonia-based reagents required, all of the Group's plants in Africa are equipped with dust collection systems that significantly outperform local PM emission standards. All of the Group's plants in Africa use the latest modern technology, are mostly recently constructed and boast best of class emission standards in Sub-Saharan Africa. In Addition, our National Cement Plant in Ethiopia partly uses biomass as a replacement for coal, saving over 9,600 tons of coal and over 146,000 tons of CO₂ emissions in 2024. We plan to use similar biomass coal replacement at our new plants in Uganda.

In China, following the implementation of the "Guiding Opinions of the State Council on Resolving the Conflict of Serious Overcapacity" (《國務院關於化解產能嚴重過剩矛盾的指導意見》(國發[2013]41號)) and the "Implementation Measures for Capacity Replacement in the Cement and Glass Industries" (MIIT Yuan [2017] No. 337) 工信部水泥玻璃行業產能置換實施辦法》(工信部原[2017]337號) issued by the Ministry of Industry and Information Technology (MIIT), we closed approximately 10,000 tons per day of our older, less efficient, more polluting clinker capacity in Weinan, Tongchuan, Ankang and Xi'an regions. This was replaced by a modern 10,000 tons per day clinker plant in Tongchuan.

These measures have resulted in significant emission reductions. Since 2021, our Group has reduced its total NOx emissions from close to 7,000 tons to 4,000 tons, its sulphur dioxide emissions from 600 tons to under 300 tons and its PM emissions from 600 tons to close to 200 tons. Since 2022, energy consumption per ton of clinker produced has fallen from 916kWh to 853kWh and energy consumption per unit of revenue has fallen from 1.53 kWh/RMB to 1.29 kWh/RMB. In addition, our Group's Fuping Plant has a Municipal Waste Treatment Facility that is capable of treating dangerous and hazardous waste, while our Group's Mianxian Plant has a Solid Waste Treatment Facility. Our Group continues to explore new opportunities to develop solid waste disposal facilities at its clinker kilns in Shaanxi Province. Our Group continues to monitor and improve its environmental and emission standards in the following ways. First, our Group's 'Benchmarking Checklist of Environmental Protection Regulations and Standards' has been implemented to carry out in depth monitoring of emissions and training of Group staff. Second, our Group's 'Safety and Environment Department' conducts quarterly inspections of monitoring reports and environment management measures at each plant. Third, disposal and storage of hazardous waste is carefully planned on an annual basis, with waste labeled and disposed of in accordance with the new emission standards issued by the Ministry of Ecology and Environment. All of our Group's plants in the China have been refurbished as 'Garden-like Plants', and our Group has implemented similar strategies at its plants in Africa to enhance environmental management there. Practices such as soil reclamation and mine re-greening are carried out at our Group's limestone mines and annual monitoring work in areas such as landscaping, slope deformation, soil and water pollution, soil quality, reclamation and vegetation is carried out to ensure mine recovery and land reclamation at end-of-life mines.

Our financial performance is stable with strong growth momentum overseas and we efficiently deploy capital to fund our growth.

Our financial performance in recent years has been stable despite the sharp slowdown in the China market. Our revenue increased from RMB8,489.1 million in 2022 to RMB9,020.9 million in 2023, due to our capacity expansion and ASP improvement in 2023. Our revenues dropped to RMB8,344.9 million in 2024, mainly due to cement ASP falls in China, but our overall sales volume remained stable. Our revenue climbed to a recent peak of RMB5,418.3 million for the six months ended June 30, 2025. We also recorded an increasing gross profit margin from 25.7% in 2022 to 30.0% for the first half of 2025, due to improvements in ASPs in China and higher sales volumes overseas. We have been able to maintain a stable net gearing ratio, ranging between 60% and 70%, for the years ended December 31, 2022, 2023 and 2024 and for the six months ended June 30, 2025. This is in spite of continued investment in our overseas markets. We have operating cash inflow of RMB2,134.5 million, RMB2,700.1 million, RMB2,042.7 million and RMB602.1 million for the same periods above. Our EBITDA during the same periods were RMB3,082.7 million, RMB2,768.7 million, RMB2,522.4 million and RMB1,950.9 million for the same periods above. Our total debt to equity ratio increased from 71% in 2022 to 84% in 2024 and dropped to 82% as of June 30, 2025. Our total debt to EBITDA (or annualized EBITDA) ratio increased from 3.1 in 2022 to 4.6 in 2024 but dropped to 3.0 for the six months ended June 30, 2025. We had a strong performance in the first half of 2025 and we began to see the rewards of our overseas investments over the past years.

We have successfully raised capital in the international equity and debt markets as well as through asset sale transactions to fund our growth and expansion. We have relied on offerings of equity and debt securities as well as short-term and long-term loans from financial institutions to fund our operations. Since 2005, we have been able to secure funding through capital raisings by way of issuances of shares and senior notes as well as syndicated bank borrowings and revolving credit facilities. We also have experience raising capital in the PRC domestic bond market, having issued a series of medium-term notes since 2013, all of which have been subsequently repaid. We have multiple long term banking relationships in the PRC with amongst others, the Agricultural Bank of China, Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank of China and China Minsheng Bank that provide us with short-term working capital and loans, project loans as well as rolling credit facilities. Overseas, we have relationships with banks and funds such as Standard Bank, ABSA Bank, Dashen Bank., Development Bank of Ethiopia, Trust Merchant Bank and KCB Bank that have provided us with project finance loans to fund our construction of our plants in Africa and Central Asia. In addition, in August 2025, we completed the disposal of our entire operations in Xinjiang Province, comprising four cement production plants with a total annual production capacity of 3.5 million tons of cement, for a consideration of RMB1.65 billion.

OUR BUSINESS STRATEGIES

Our Core Market Strategy

Our strategy since our early period of development in Shaanxi province has been to focus on the key factors required to build a sustainable cement business: limestone and market. Limestone is the key raw material for clinker and cement production and transportation and distance to market is a key cost factor for a bulky product. Our management team's key strategy is to identify and acquire high quality limestone resources that are well placed to provide our capacity with a transportation, market and sales advantage, and attempt to dominate supply in this core market.

This core market strategy is best exemplified by our Group's move to build capacity in the south of Shaanxi Province in 2009. At the time, the Group's main area of operation and sales was in the central Shaanxi, with a plant in the Weinan Region to the East of Xi'an and another plant in Lantian in the south of the capital city. Most of the cement capacity in the province was situated in this central area, which is mostly flat land, accounts for the majority of the population centers in the province and has plentiful limestone. In 2009, following the Global Financial Crisis, the PRC Government announced a series of fiscal measures that included significant infrastructure spending and development, much of it focused on China's Western Development Policy. Shaanxi Province, its capital Xi'an and the Guanzhong-Tianshui area, which stretches westwards into neighboring Gansu Province is a major transport hub and economic area linking the west of China to the east and much of the infrastructure development was to focus on this area. The inevitable result of this was a significant building out of new cement supply in this area, mostly by larger cement companies with more financial resources than our Group. Our management anticipated that this development, and the plentiful limestone resulting in low barriers of entry, could also lead to capacity overbuild and future oversupply.

Our Group therefore focused its resources on the south of the province. This area is part of the Qinling Mountain range, bordering Sichuan Province, was relatively underdeveloped with a much lower population but only had limited limestone outcrops in a predominantly granite terrain. The area was also far enough away from the central area to result in high transportation costs for cement. Our management concluded that it would not have the financial resources to compete in the central area but did have the resources, and first mover advantage, to dominate the south of the province. It also anticipated that a lot of the infrastructure spending, in terms of roads and railways to the south west of China, would go through this area. Over a period of approximately three years from 2009, our Group built and acquired capacity that resulted in an approximate 70% market share in this area. Due to more recent capacity closures, our Group now has close to 90% of the capacity in this area, with 8.6 million tons annual cement production capacity, and this core market has achieved ASPs and capacity utilization rates that have consistently outperformed those of all the producers in central Shaanxi.

Maintaining our Shaanxi Province Core market asset

Our key strategy in China is to maintain our Shaanxi Province core market asset. As described above, we have been able to build a robust and defendable cement asset in our home province that is able to generate returns higher than our peers and competitors in the province. This is as a result of our concentrated and dominant position in the south of the province. The cement market in Shaanxi province, as in the rest of China, has been facing significant levels of oversupply in recent years, resulting in ASPs lower than those that the industry has historically experienced. Under these current market circumstances, our key aim is to maintain operations in our stronghold, benefit from any incremental demand drivers in the province and also seek to benefit from any Government promoted supply side capacity reduction measures. We do not expect to expand further in Shaanxi province or other areas of China. We expect to continue to supply cement to infrastructure projects in central, southern and northern Shaanxi province and we are well placed to benefit from any potential turnaround in the real estate market. Our Group benefited from government promoted capacity replacement initiatives in 2021, when a number of smaller, older production lines were closed down and replaced with a modern 5 million ton Tongchuan Plant, and we expect to benefit from any future government initiatives in the cement industry.

On the supply side, government promoted capacity reduction measures are likely to be a significant factor in the PRC cement industry over the next few years. Due to the weakened nature of the Chinese property market, and the fact that many of the larger infrastructure projects of the past 20 years in China have now been completed, the cement industry is facing significant levels of oversupply and resultant low levels of capacity utilization. In order to promote supply side capacity reduction, the Chinese government has implemented a comprehensive anti-involution policy framework for the cement industry, primarily through the “Building Materials Industry Steady Growth Work Plan (2025–2026)” policy package issued by a number of ministries on September 24, 2025. This policy package builds upon earlier measures announced by the China Cement Association on July 1, 2025, which initiated the anti-involution campaign focusing on capacity replacement and peak-shifting production restrictions. The Chinese government aims to encourage capacity closures using a mix of strict enforcement of capacity replacement policies, the elimination of excess production beyond registered capacity and the implementation of enhanced environmental and energy efficient standards. Capacity replacement and elimination of excess production is expected to reduce clinker capacity by approximately 10%. In terms of environmental standards, any capacity that fails to meet baseline standards faces mandatory shutdowns and elimination, with a particular focus on smaller facilities with under 200,000 tons of annual production capacity. Further environmental measures include targets for alternative fuel usage, reduced energy usage and transportation emissions and waste material usage. The specific energy consumption targets require clinker thermal consumption below 740 kcal/kg and comprehensive electricity consumption per ton of cement below 95 kWh. These standards are part of a broader push to elevate the industry’s environmental performance, with explicit targets for 30% of cement industry capacity to reach energy efficiency benchmark levels by the end of 2025. Other measures include the active encouragement of industry consolidation and market concentration through M&A activity and targeted capacity closures. This policy framework provides financial incentives through market stabilization, where reduced supply is anticipated to drive price recovery above industry breakeven points, ultimately improving profitability for compliant enterprises.

On the demand side, Shaanxi Province has registered fixed asset investment (FAI) growth rates that have consistently outperformed the rest of the country. In 2024, provincial FAI grew by 5.2%, exceeding the national average by 2 percentage points, and in the first half of 2025 FAI grew by 5.6% compared with the national average of 2.8%. Much of this incremental growth in the province has come from industrial and manufacturing growth. In 2024, industrial investment grew by 14.5% year on year,

with the energy, chemical and industrial technology sectors leading this growth with rates of over 20% year on year growth. While the real estate market has been depressed over recent years, in both Shaanxi and the rest of the nation, there have been some signs of stabilization in our province. Real Estate Development Investment grew at 0.5% for Shaanxi Province in 2024, compared to a contraction of 10.6% in the rest of the country, and grew 0.9% in the first half of 2025, compared with an 11.2% contraction in the rest of the country. The growth in Shaanxi Province reflects the strategic nature of Xi'an as a hub to the west of China, the transportation and communications infrastructure that has been built over the past two decades and the growth in the energy business in Yulin and the north of Shaanxi Province. These have all contributed to the growth of manufacturing in the province — especially in the fields of downstream energy and chemicals, new materials, automotive parts and aerospace engineering — and these industries are expected to contribute to further above average growth rates in the future. Although not as strong as in previous years, infrastructure construction continues in Shaanxi Province and projects such as the Xi'an-Shiyan High Speed Railway, the Lanzhou Hanzhong-Shiyan High Speed Railway and the Xi'an-Ankang-Chongqing High Speed Railway, as well as numerous reservoirs and water projects, hydro power projects, highways and gas transmission projects will continue to contribute to construction growth in Shaanxi Province and drive demand for our cement products.

Replicate our Core Market Strategy and benefit from growth in our new overseas markets

In recent years, we have focused our efforts on expanding our capacity overseas. While the China market remains relatively subdued, our management and financial resources have been concentrated on the acquisition and construction of sustainable cement assets in Sub-Saharan Africa and Central Asia. Our strategy is to benefit from our long-standing cement facility construction expertise, production and management experience and building material sales knowledge to replicate our core market strategy in these overseas markets. We believe that our ability to locate and rapidly acquire high quality limestone deposits, use our longstanding relationships with world-leading cement facility construction contractors to commission modern NSP production lines and our experience of marketing cement products in developing markets gives us a distinct advantage in these overseas markets. As described below, many of these markets have relatively underdeveloped and/or fragmented cement production industries, lack modern clinker production and rely on imported building materials or materials produced by older, inefficient and highly polluting capacity stock. In recent decades, larger international cement companies have deprioritized or divested their operations in these areas and this has given our Group the opportunity to build a significant operations in many of these countries. Although some of these economies have been relative backwaters and may be considered to have riskier operating profiles, they do have growth profiles that make them attractive for a nimble, flexible cement producer such as our Group.

Africa, in particular, has the world's fastest population growth profile, with total population expected to reach close to 2.5 billion in 2050, from 1.5 billion in 2024, with the DRC, Tanzania and Ethiopia amongst the countries with the fastest demographic growth on the continent. Africa also has some of the fastest GDP growth rates in the world. According to the Africa Development Bank (AfDB), African GDP growth is set to accelerate into 2025 and 2026, reaching 4.1% and 4.4%, respectively. In 2025, it is projected that 12 of the world's fastest growing economies will be in Africa and East Africa, an area where our capacity is focused, is expected to grow by over 6% in 2026. Infrastructure development and urbanization in these markets are benefiting from domestic and international growth initiatives, including the Chinese Government's Belt and Road Initiative. Sub-Saharan Africa has some of the lowest per capita cement consumption rates in the world, at a fraction of those in developed markets at lower than 100kg per annum, and cement production in many countries is backward, under supplied and highly fragmented. In Central Asia, infrastructure growth has become an important component of the economic growth of the Uzbekistan economy, where our 2.5 million ton Andijan Plant is located. Large projects such as the China-Kyrgyz-Uzbek railway construction, highway and hydro power projects, as well as high levels of housing construction, are supporting forecast economic growth rates of over 5% into 2030 and the Uzbekistan government is forecasting cement demand growth rates of 15% over the same period.

Our largest market in Africa is Ethiopia and our production facilities operate there, and products are marketed, under the brand name of the National Cement Share Company (NCSC). Our strategy in Ethiopia has been to work, in conjunction with our minority shareholder, East African Mining Corporation PLC (East African Mining), to become the largest producer in the country with two production facilities, one selling cement into the capital city Addis Ababa, and another into Dire Dawa, which is the country's second largest city. East African Mining is part of the East African Holding Group of companies that has roots in Ethiopia dating back to the 19th century and has interests in a diverse business portfolio including Agri-Business, coal mining, green energy, transportation and

logistics, real estate and consumer products, amongst other industries. The National Cement Plant in Dire Dawa, in which we acquired a majority stake from the East African Mining in 2022, has a history in Ethiopia dating back to its establishment in 1936 and the National Cement product has very strong brand recognition in the country. Ethiopia is one of the five biggest economies on the African continent and has a projected CAGR of 7.6% between 2025 and 2029. Growth in the country has been driven by construction which contributed to over 20% of the country's GDP in 2024 and the government in 2025 announced an ambitious US\$30 billion infrastructure construction plan which encompasses projects such as nuclear power plants, oil refineries, natural gas facilities, airport expansions, and the construction of 1.5 million housing units. Urbanization rates in the country remain relatively low at under 24% in 2024 but the World Bank estimates urbanization growth rates of over 5% over the next few years and this growth, coupled with expected population growth rates of 2.4%, is expected to fuel demand for transportation infrastructure, housing and public utilities. We became the largest single producer in the country when our National Cement Lemi Plant, located 130 km from Addis Ababa, was commissioned in 2024 and this facility is the largest NSP plant in Sub-Saharan Africa with a very efficient production profile. The country has approximately 18 million tons of cement capacity, although approximately 3 million tons of this capacity is old, using outdated, obsolete or polluting technology, and our strategy is to continue to gain market share from these old plants and provide efficiently produced, low production cost cement products into Ethiopia's urban construction and infrastructure markets.

Our expansion in Sub-Saharan Africa commenced in 2020 when we completed the construction of our Dugongo Plant, near to the capital city Maputo, which at the time was the only clinker supply line in the country. Our plan for this plant, which is situated close to rail and sea transportation links, has been to take advantage of our strategic core market location to sell our cement and clinker products into the market around Maputo as well as take advantage of Maputo Port to transport by sea to the north of Mozambique and to Madagascar. Our plant also benefits from good rail transportation links to South Africa, which is advantageous for the import of high-quality coal from near Johannesburg and for the export of our cement and clinker products into Eswatini and South Africa. As we have been the only clinker production line in the country, an additional aspect of our strategy has been to sell a certain amount of our clinker to third party grinding stations in order to build our market share. Going forward, our strategy is based on the expected economic growth in Mozambique: The north of the country is set to benefit from both large-scale investment in LNG exploration and development in the Rovuma basin and the resultant infrastructure projects to support this new extractive industry. Fixed asset investment is expected to expand at a CAGR of 14.8% from 2025 to 2029, reaching USD10.8 billion, and this will be partly driven by strong foreign direct investment inflows which are expected to grow at a CAGR of 6.8% over the same period. Cement demand in Mozambique is currently at approximately 4 million tons per annum but per capita cement consumption is expected to grow by 80% over the next few years as LNG facility construction progresses. The cement market is developing to meet this expected extra demand, especially in the north of the country, and competitor capacity of approximately 3000 t/d clinker capacity, equal to approximately 1.3 million tons of cement, has recently started production in Nacala in the north of the country. Our new capacity in the north, a 3500 t/d clinker plant equal to approximately 1.5 million tons of cement in Nampula, is expected to be commissioned in 2027. Our strategy in Mozambique will be to compete as one of the two major clinker producers in the country, supplying both cement to end market users and clinker to third party grinding stations, as well as to export our product to Madagascar, South Africa and Eswatini from our Dugongo Plant and Malawi and other African inland countries from our Nampula Plant.

Our Great Lakes operation comprises clinker production in the eastern DRC in Kalemie on the shore of Lake Tanganyika as well as grinding capacity in Rwanda and Tanzania and our strategy is to target markets around the lake, including the Eastern DRC around Kalemie, Rwanda, Burundi and Western Tanzania around Kigoma. Our clear advantage is that we have the only sizeable and modern NSP production capacity in this area, except for a small competitor clinker producer of 500 t/d in Burundi. We have also expanded our production capacity into the west of DRC with the CILU Acquisition in the DRC's capital Kinshasa, which has a population of over 20 million people, and this transaction is expected to be completed by the end of 2025. This Kinshasa market is separate and distinct from our Great Lakes operations, due to road distances of over 2400 km between Kinshasa and Kigoma, but this acquisition will make us the largest single clinker producer in the DRC and establish core markets for our operation in both the DRC's capital city and the east of the country with export potential to the other Great Lakes economies. While the Great Lakes area has experienced some serious political turmoil and armed conflict in recent years, its economies are still expected to grow quickly with mineral and natural resources extraction and infrastructure construction driving this growth. For example, the DRC is expected to grow by a CAGR of 7.1% between 2025 and 2029, with FAI rates of 9.6% and FDI growth of 16.8% during that period, and Rwanda is expected to grow by 5.7% CAGR during this period, with accompanying FAI CAGR of 10.6% and expected FDI CAGR of over 30%. Our

strategy in the eastern DRC remains to produce clinker at our Great Lakes plant, shipping some of this clinker to our cement grinding mill in Kigali, Rwanda as well as our new grinding mill in Kigoma in Tanzania and selling cement into eastern DRC and the Kalemie area. While this strategy has undoubtedly been hampered by the armed conflict around Goma over the past two years, we are hopeful that this conflict will reach a reasonable resolution and this will allow us to increase sales volume into these economies and strengthen our core market in this area. Once we have completed the CILU Acquisition in Kinshasa, our strategy there will rest on improving the operating efficiency of this plant, benefiting from the CILU brand name which has a history dating back to 1920 and competing against the three other production plants in the Kinshasa area.

We are in the process of completing new cement facilities in Uganda, a country that is a natural extension of the Great Lakes area. Our 6,000 t/d clinker plant is situated in Moroto, to the north-east of the country and next to one of the few remaining plentiful limestone deposits in the country, and our 1.5 million tons Jinja cement grinding station is situated on the shores of Lake Victoria, close to Uganda's capital city Kampala which is 80 km away. These plants are due to be commissioned in the first quarter of 2026. Uganda's economy is expected to grow by CAGR of 10.2% between 2025 and 2029, driven by oil production and oil pipeline construction and also has one of the highest population growth rates in Sub-Saharan Africa with an expected CAGR of 3.7% over the same period. The country has current annual cement demand of over 5 million tons but is under supplied, with little domestic clinker production and relying on expensive imported product from Kenya and beyond. Once our facilities are up and running in 2026, we expect to dominate cement supply in the country, with over 60% of clinker supply, and fill the demand supply gap significantly, and our strategy will be to maintain a position as the largest producer in the country, with our Jinja plant enjoying a transportation advantage located close to the capital city Kampala.

Our strategy in Uzbekistan is distinct from that in Sub-Saharan Africa due to the more developed nature of both the economy and cement industry in this central Asian country. The Uzbek economy is more akin to a middle-income economy than the developing economies of Africa, has per capita cement consumption of approximately 400 kg per annum, which is closer to the global averages than Africa, and the cement industry is much more developed with domestic players competing with new entrants from China, including ourselves. Despite the developed nature of this market, economic growth is expected to be strong, largely driven by infrastructure and housing construction activity. GDP growth rates are expected to reach over 11% CAGR between 2025 and 2029 and this is forecast to be driven by FAI growth of 11.4% and FDI growth of 14.8% over the same period. Infrastructure projects, including railways, roads and power stations, feature prominently in this construction led growth, as does significant increases in the development of housing stock in the country and this is expected to drive the demand for cement products which is currently over 20 million tons. There is a significant amount of old capacity in the country which is set to shut down and in addition there is a government moratorium on new cement capacity in the country which is set to improve the demand-supply outlook significantly over the next few years. Our Andijan Plant is situated in the Fergana Valley and our strategy is to supply cement to the surrounding areas as well as export product into neighboring Kyrgyzstan and Tajikistan.

Highlights of Infrastructure projects

The following table sets forth the key infrastructure projects in which we have involved in recent years:

	<u>Name of project</u>	<u>Descriptions of projects</u>	<u>Status and our involvement</u>
1	Diverting Han River Water to the Wei River (China)	This was one of 172 major water conservation and supply projects identified by the State Council during the 13th Five-Year Plan and is also a major infrastructure construction project under the "Guanzhong-Tianshui Economic Zone Plan" promulgated by the State Council.	Project supply period 2018 to 2023 with our Group supplying approximately 800,000 tons per annum.

	<u>Name of project</u>	<u>Descriptions of projects</u>	<u>Status and our involvement</u>
2	Xi'an-Yan'an Railway (China)	The Xi'an-Yan'an Railway runs south from Xinfengzhen Station on the Longhai Railway to Yan'an North Station in the north of Shaanxi Province.	Supply period from 2021 to 2025, with our Group supplying approximately 1.63 million tons.
3	Xi'an-Shiyan Railway (China)	The Xi'an-Shiyan High-Speed Railway traverses Xi'an, Shangluo, and Shiyan cities, featuring a newly constructed main line of 255.7 km with a design speed of 350 km per hour. The Shaanxi section spans 169 km.	Supply commenced in 2022, with our Group supplying approximately 2.28 million tons. Expected completion in 2026.
4	Anlang Expressway (China)	The Ankang-Langao Expressway, also known as the (Anlang Expressway), is a segment of the national Yinchuan-Baise Expressway corridor and establishes Ankang City as a transportation hub and logistics center in southern Shaanxi.	Cement supply commenced in 2019, with our Group supplying approximately 1.45 million tons. Expected completion in 2026.
5	Dongzhuang Reservoir (China)	The largest water conservancy project currently under construction in Shaanxi Province, approximately 80 km from Xianyang City and Xi'an City. The dam stands 230 meters tall (equivalent to an 80-story building), making it the tallest arch dam in Shaanxi, with a total investment of 16.361 billion yuan.	Our agent, Shaanxi Provincial Hydropower Materials Corporation, signed a cement supply contract (with our Group as the secondary supplier), committing to supply approximately 190,000 tons by 2025.
6	Xianyang Airport (China)	The Phase III expansion of Xi'an Xianyang International Airport includes three new runways (North 1, North 2, and South 2).	We supplied retarding cement and low-alkali cement for Packages 1, 2, and 4 of the airport runway Phase III project in 2021. The project was substantially completed in July 2025, with our Group supplying approximately 890,000 tons.
7	China-Kyrgyzstan-Uzbekistan railway (Kyrgyzstan)	The China-Kyrgyzstan-Uzbekistan Railway is an infrastructure initiative that aims to connect the railway networks of these three nations. Construction is now underway along the entire route, including a 260 km section in Kyrgyzstan and a 55 km section in Uzbekistan.	Construction commenced in 2024 and we have begun supplying for three sections of the railway in Kyrgyzstan. Up to 12,000 tons to date. Our Group's expected future supply amount is 60 to 80,000 tons.

	Name of project	Descriptions of projects	Status and our involvement
8	Dire Dawa-Mieso Expressway (Ethiopia)	The project spans a total length of 144 km, connecting Dire Dawa with the Oromia and Somali regions, serving as a critical regional transport corridor (Eastern Economic Corridor) providing access to Djibouti. Section 1 (Dire Dawa to Bikē section) has commenced construction. The total construction period for the project is four years.	Section 1 of the project has commenced, but mass construction has not yet started. As of the date of this Offering Memorandum, approximately 1,000 tons were supplied by our National Cement Plant.
9	Kigoma airport project (Tanzania)	Scope of project work includes a terminal building, control tower, runway, drainage works, and parking lot, with a total construction area of approximately 25,000 square meters. The Kigoma airport will have a total cement consumption of 20,000 tons, with a construction period of three years.	The project commenced in 2023. The main structure of the airport project is largely completed, and construction is currently focused on the irrigation project. In 2024, our Group supplied 2,000 tons (of cement), with an total estimated supply of 4,000 tons anticipated in 2025.
10	N7 highway rehabilitation project (Mozambique)	This project is located in the Guru District of Tete Province, by a Chinese contractor and involves the rehabilitation of a 100 km section of highway.	Construction is scheduled from April 2025 to May 2026, with total cement demand of 10,000 tons. We are responsible for total cement supply.
11	Kigoma Hydropower Station (Tanzania)	The project is located in Kigoma with 3 sets of 49.5 MW electricity generators planned. It expects to consume 50,000 tons of cement and the construction period last from 2024 to 2027.	The project commenced in 2024 and our Group supplied more than 1,500 tons in the first half of 2025. We expect to supply 16,000 tons in the second half of 2025 to 2026.

The following table sets forth the other infrastructure projects in which we have been involved in recent years:

	Name of project (relevant location)	Planned construction period
1	Xi'an-Ankang Railway (Xi'an-Ankang, China)	2021–2026
2	Luonan-Lushi Expressway (Luonan-Lushi, China)	2021–2026
3	Micang Mountain Avenue (Bazhong, China)	2019–2026
4	Ankang-Chongqing Railway (Ankang-Chongqing, China)	2023–2028
5	Zhenba-Guang'an Expressway (Zhenba-Guang'an, China)	2024–2026
6	Kangding-Xinduqiao Expressway (Kangding-Xinduqiao, China)	2023–2028
7	Yan-Yu Railway (Yan'an-Yulin, China)	2024–2027
8	Bazhong Ring Expressway (Bazhong, China)	2024–2027
9	Tuxikou Reservoir (Bazhong, China)	2022–2026
10	Foping Pumped Storage Power Station (Foping, China)	2023–2028
11	Guxian Reservoir (Jixian County, Shanxi, China)	2024–2034
12	Andijan New City Project (Uzbekistan)	2024–2027
13	Fergana Valley Waste-to-Energy Project (Uzbekistan)	2025-TBC
14	Namangan New City Project (Mozambique)	2024–2026
15	Moamba Industrial Park (Mozambique)	2025-TBC
16	Kingman Balama city school & dormitory construction project (Mozambique)	2025–2026
17	Kigoma Medical University project (Tanzania)	2025–2026
18	Burundi border checkpoint project (Burundi)	2025–2026

	Name of project (relevant location)	Planned construction period
1	Xi'an-Ankang Railway (Xi'an-Ankang, China)	2021–2026
2	Luonan-Lushi Expressway (Luonan-Lushi, China)	2021–2026
3	Micang Mountain Avenue (Bazhong, China)	2019–2026
4	Ankang-Chongqing Railway (Ankang-Chongqing, China)	2023–2028
5	Zhenba-Guang'an Expressway (Zhenba-Guang'an, China)	2024–2026
6	Kangding-Xinduqiao Expressway (Kangding-Xinduqiao, China)	2023–2028
7	Yan-Yu Railway (Yan'an-Yulin, China)	2024–2027
8	Bazhong Ring Expressway (Bazhong, China)	2024–2027
9	Tuxikou Reservoir (Bazhong, China)	2022–2026
10	Foping Pumped Storage Power Station (Foping, China)	2023–2028
11	Guxian Reservoir (Jixian County, Shanxi, China)	2024–2034
12	Andijan New City Project (Uzbekistan)	2024–2027
13	Fergana Valley Waste-to-Energy Project (Uzbekistan)	2025-TBC
14	Namangan New City Project (Mozambique)	2024–2026
15	Moamba Industrial Park Mozambique)	2025-TBC
16	Kingman Balama city school & dormitory construction project (Mozambique)	2025–2026
17	Kigoma Medical University project (Tanzania)	2025–2026
18	Burundi border checkpoint project (Burundi)	2025–2026
19	Bujumbura Airport renovation project (Burundi)	2024–2026
20	Kinyinya Private International School & road construction project (Rwanda)	2025–2026
21	Addis Ababa City Corridor project (Ethiopia)	2022–2025

OUR PRODUCTS

Our principal product is cement. In China, our cement is principally sold, among others, under the trademarks “尧柏” (Yao Bai) and “尧柏水泥” (Yaobaishuini) and is primarily used in the construction of infrastructure projects such as highways, bridges, railways and roads, as well as residential buildings, hydroelectric power stations, water conservancy and water transfer projects. In our overseas markets, our cement is sold under the trademarks “National Cement” in Ethiopia, “GLC” in the DRC, “CHEETAH” in Rwanda, “DUGONGO” in Mozambique, “QILIN Cement” in Tanzania, “YAOBAI CEMENT” in Uganda and “WEST” in Uzbekistan. We produce different types of cement by mixing different proportions of gypsum, clay, flyash, pyrite cinder, slag and other additives to clinker, a semi-finished product produced from limestone through a rotary kiln process.

Our principal products are set forth in the following table:

Product/Grade	Characteristics	Application	Target Customers
Ordinary Portland Cement P • O42.5; P • O42.5R; P • O52.5; P • O52.5R.	High strength; high hydration heat; low dry shrinkage; high corrosion-resistance; high carbonization-resistance	Construction of structures such as roads and bridges. It is also used for the construction of high rise buildings and production of commercial cement	Civil uses, ready-mix concrete stations and key infrastructure projects including highways and railways
Ordinary Portland Cement 42.5N OPC42.5N SEM II/A-II42.5	Quality (strength and performance) stable; low water demand, minimal bleeding, high moisture retention and low dry shrinkage	Construction of structures such as roads, bridges and industrial structures	Civil uses, ready-mix concrete stations and key infrastructure projects including highways and railways
Composite Portland Cement P • C42.5	High strength at the initial phase; rapid setting and hardening; dry shrinkage performance similar to ordinary Portland Cement	Industrial, agricultural hydraulic and civil construction projects	Civil uses, ready-mix concrete stations and key infrastructure projects including highways and railways
Moderate Heat Portland Cement P • MH42.5	Low hydration heat; relatively high sulphuric acid resistance; good abrasion resistance and low dry shrinkage	For construction projects in complicated environments such as changing water level requiring high abrasion resistance and freeze-resistance which include dams and bridges	Construction projects in particular for hydropower power station, reservoir and dams
Ordinary Portland Cement 32.5N PPC32.5N SEM II/B-II32.5	High strength at the initial phase; high crack-resistance and high corrosion-resistance	For civil construction projects and non-specialized mortar and rendering work	Civil uses, basic infrastructure projects and cement grinding plants
Masonry Cement M32.5	High moisture retention	For plastering and adding as layer.	Civil uses, ready-mix concrete stations and key infrastructure projects, including highways and railways

Product/Grade	Characteristics	Application	Target Customers
Oil Well Cement G-HSR	Rapid setting and hardening; high impermeability and corrosion resistance; proper density and setting time, as well as low consistency allowing the ready-mix well concrete to possess great anti-settling properties and pumpability	For oil and gas well cementing projects	Oil and gas wells

We seek to introduce new products that meet evolving customer needs. For example, we have developed sulphoaluminate clinker which targets producers based in Henan and Shanxi Provinces and high alumina clinker which targets fire-resistance materials producers in China. Our Group's market share in oil well cement is ranked second in China, with sales exceeding 2.6 million tons. Our oil well cement and calcium aluminate cement were first exported to overseas market in Africa in 2019 and 2020, respectively. In 2024, aluminate cement (high alumina cement) was successfully exported to Vietnam. Our oil well cement was used in the construction of Sinopec's 10000 meter well project in Xinjiang, China, the National Zhongyuan Gas Storage Complex and CNPC's Bohai Bay offshore oil facility construction. Our medium and low heat cement has been used in water conservancy and reservoir projects in Shaanxi Province, including the Zhen'an pumped storage, Shanyang pumped storage, Foping pumped storage, Shahe pumped storage, and Ganges Reservoir, and we have recently won bids to supply this cement to key water conservancy projects in other province including, the Fengdongzi Shipping Project in Qu County, Sichuan, the Tuxikou Water Conservancy Project in Dazhou, Sichuan, and the Guxian Water Conservancy Project.

PRODUCTION FACILITIES

As of June 30, 2025, we had a total annual cement production capacity in China of 28.5 million tons, comprising 17 cement production lines, with 21.7 million tons in Shaanxi Province, 1.8 million tons in Guizhou Province, 1.5 million tons in Sichuan Province and 3.5 million tons in Xinjiang (which was disposed of in August 2025). In our overseas markets, we had a total annual cement production capacity (including grinding capacity) of 13.6 million tons, comprising 7 production lines, with 6.3 million tons in Ethiopia, 2.5 million tons in Uzbekistan, 2.0 million tons in Mozambique and 1.5 million tons in the DRC, as well as 1 million tons of cement grinding capacity in Rwanda and another 300,000 tons of grinding capacity in Tanzania. Subject to completion of the CILU Acquisition and additional capital expenditure investment and implementation of technical modifications, it is expected that CILU will have a designed total annual production capacity of 1.2 million tons, and our total annual cement production capacity outside of the PRC is therefore expected to increase to 14.8 million tons. In addition, we have a further 4.5 million tons of cement production capacity currently under construction in Mozambique and Uganda.

Our production lines in the PRC are all strategically located close to our end markets. Our production lines overseas are either close to our end markets or located within reasonable transportation distance to our end markets. All of our production lines are located near our limestone quarries and many of our production facilities have also installed belt conveyors connecting the limestone quarries and our facilities to deliver limestone directly to our production lines, thus decreasing transportation costs. All of our clinker production lines in Shaanxi, Guizhou and Sichuan Provinces, Ethiopia, Mozambique, the DRC and Uzbekistan employ the advanced NSP technology, which is energy efficient and environmentally friendly. We also employ residual heat recovery systems in most of our production lines in the PRC, accounting for 86% of our annual capacity in the country, which allows us to achieve electricity cost savings of approximately 30% and significant emission reductions.

Details of our production lines in Shaanxi Province as of December 31, 2024 and the six months ended June 30, 2025 are set forth in the table below.

Production Lines	Location	Commencement of Operations	NSP Technology	Residual Heat Recovery Systems
Danfeng				
Line 1	Danfeng County	December 2009 ⁽¹⁾	Yes	Yes
Line 2	Danfeng County	April 2012	Yes	Yes
Hancheng	Weinan City	June 2011 ⁽¹⁾	Yes	No
Fuping	Weinan City	June 2012 ⁽¹⁾	Yes	Yes
Jianghua ⁽²⁾	Ankang City	December 2010 ⁽¹⁾	Not applicable	Not applicable
Pucheng ⁽²⁾	Pucheng County	September 2010	Not applicable	Not applicable
Lantian ⁽²⁾	Lantian County	August 2007	Not applicable	Not applicable
Mianxian	Mianxian County	July 2010	Yes	Yes
Shifeng	Weinan City	April 2012 ⁽¹⁾	Yes	Yes
Tongchuan	Tongchuan	June 2021	Yes	Yes
Xixiang	Hanzhong County	May 2011	Yes	Yes
Xunyang	Xunyang County	January 2009	Yes	Yes
Yangxian	Yangxian County	January 2010	Yes	Yes
Yaowangshan ⁽²⁾	Tongchuan City	December 2015	Not applicable	Not applicable
Zhen'an	Zhen'an County	August 2009	Yes	Yes

Note:

(1) Refers to the date when we acquired a majority interest in such production line.

(2) Clinker production decommissioned in 2021. These plants are now grinding stations only.

Details of our production line in Guizhou and Sichuan Provinces as of December 31, 2024 and the six months ended June 30, 2025 are set forth in the table below.

Production Lines	Location	Commencement of Operations	NSP Technology	Residual Heat Recovery Systems
Huaxi	Guiyang City, Guizhou	April 2015	Yes	Yes
Paomashan	Ganzi Tibetan Autonomous Prefecture, Sichuan	April 2022 ⁽¹⁾	Yes	No

Note:

(1) Refers to the date when we acquired a majority interest in such production line.

Details of our production line in Sub-Saharan Africa and Central Asia as of December 31, 2024 and the six months ended June 30, 2025 are set forth in the table below.

Production Lines	Location	Commencement of Operations	NSP Technology	Residual Heat Recovery Systems
Sub-Saharan Africa				
Dugongo	Mozambique	December 2020	Yes	No
Great Lakes	Kalemi, DRC	December 2022	Yes	No
National Cement	Ethiopia	October 2022	Yes	No
Lemi	Ethiopia	September 2024	Yes	No
Rwanda (Grinding Mill)	Rwanda	August 2023	Not applicable	Not applicable
Tanzania (Grinding Mill)	Tanzania	July 2025	Not applicable	Not applicable
Central Asia				
Andijan	Uzbekistan	May 2024	Yes	No

The table below sets forth the annualized production capacity, actual production volume and utilization rate of our production lines during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 (this does not include the Xinjiang plants that we sold in August 2025):

Production Lines	Annualized Production Capacity as of				Actual Cement Production Volume				Utilization Rate			
	December 31, ⁽¹⁾			June 30,	Year ended December 31,		June 30,		Year ended December 31, ⁽²⁾		June 30,	
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
(in million tons, except for percentages)												
China												
Danfeng												
Line 1	1.10	1.10	1.10	1.10	0.28	0.38	0.41	0.17	25%	34%	37%	31%
Line 2	1.50	1.50	1.50	1.50	1.45	1.25	1.58	0.72	97%	84%	106%	96%
Hancheng	2.00	2.00	2.00	2.00	0.88	0.67	0.73	0.26	44%	33%	36%	26%
Fuping	2.00	2.00	2.00	2.00	1.24	1.38	0.85	0.30	62%	69%	42%	30%
Pucheng	1.00	1.00	1.00	1.00	1.21	0.86	0.83	0.33	121%	86%	83%	67%
Lantian	—	—	—	—	1.09	0.53	0.85	0.41	—	—	—	—
Mianxian	1.10	1.10	1.10	1.10	1.08	1.12	1.08	0.51	98%	102%	99%	92%
Shifeng	2.00	2.00	2.00	2.00	1.24	1.90	1.28	0.45	62%	95%	64%	45%
Xixiang	1.10	1.10	1.10	1.10	0.70	0.58	0.67	0.31	63%	53%	61%	57%
Xunyang	2.00	2.00	2.00	2.00	1.12	1.36	1.50	0.67	56%	68%	75%	67%
Yang xian	1.10	1.10	1.10	1.10	0.89	0.78	0.58	0.29	81%	71%	53%	53%
Zhen'an	0.70	0.70	0.70	0.70	0.62	0.63	0.59	0.25	89%	90%	84%	72%
Tongchuan	5.00	5.00	5.00	5.00	1.84	2.10	1.66	0.54	37%	42%	33%	21%
Jianghua	—	—	—	—	0.79	0.56	0.45	0.22	—	—	—	—
Yaowangshan	1.10	1.10	1.10	1.10	0.68	0.39	0.25	0.18	62%	35%	23%	32%
Huaxi	1.80	1.80	1.80	1.80	0.90	1.05	0.79	0.35	50%	58%	44%	38%
Paomashan	—	—	—	1.50	0.00	0.03	—	0.05	—	—	—	7%
Sub-Saharan Africa												
Dugongo	2.00	2.00	2.00	2.00	1.41	1.49	1.52	0.96	70%	74%	76%	96%
Great Lakes	0.04	1.50	1.50	1.50	0.04	0.11	0.48	0.23	92%	8%	32%	31%
National Cement	0.22	1.30	1.30	1.30	0.18	1.36	0.95	0.49	85%	105%	73%	75%
Lemi	—	—	0.83	5.00	—	—	0.40	1.50	—	—	48%	60%
Rwanda (Grinding Mill)	—	0.42	1.00	1.00	—	0.03	0.23	0.19	—	7%	23%	38%
Tanzania (Grinding Mill) ⁽³⁾	—	—	—	0.30	—	—	—	—	—	—	—	—
Central Asia												
Andijan	—	—	1.25	2.50	—	—	0.44	0.80	—	—	35%	64%

Notes:

- (1) The annualized production capacity figures are calculated on the basis of a 310-day year at a clinker/cement ratio of 0.7. Each type of cement has its specific chemical features and therefore a different clinker/cement ratio ranging from 0.25 to 0.95. The commonly used industrial benchmark average ratio is 0.7, and we have been using 0.7 clinker/cement ratio to derive our cement production capacity. The above table does not include a grinding mill at our Lantian production facility which increases the annualized production capacity at our Lantian production facility by 0.7 million tons.
- (2) The utilization rate is derived on the basis of actual production volume divided by pro-rata production capacity of each production line for the actual number of months in a year during which the production line was in operation.
- (3) Tanzania grinding mill commenced operation in July 2025. Thus, no data on production capacity and utilization rate is presented for the relevant years/period.
- (4) The above chart excludes our production capacity and utilization rate in Xinjiang Province, as our entire business operation in Xinjiang Province was disposed of in August 2025.

We also hold a 40% equity interest in Yaobai Environmental, with Wuhu Conch Investment Ltd. and Red Day Limited holding the remaining equity interest, which is a platform for the treatment of dangerous and hazardous waste at some of our plants. Yaobai Environmental currently owns the Fuping Plant Municipal Waste Treatment Facility with annual capacity of 100,000 tons of solid waste and the Mianxian Plant Solid Waste Treatment Facility with an annual capacity of 16,500 tons.

NEW CAPACITY, ACQUISITIONS AND DISPOSALS IN RECENT YEARS

In 2022, we entered into a series of acquisitions and share subscription in the National Cement Plant, located in Dire Dawa, Ethiopia, with a capacity of 1.3 million tons of cement per year. The acquisition and share subscription was completed in October 2022, resulting in a 61.99% equity holding for us. The plant was subsequently upgraded and commissioned in November 2022. This plant is operated together with our local partner East Africa Mining Corporation PLC.

In April 2022 and May 2023, we acquired a majority stake in the Paomashan Plant, located in Kangding, Sichuan province with a capacity of 1.5 million tons of cement per year. In September 2023, the consolidation of this plant was held up by a court order freezing this asset due to liabilities of one of the selling parties. The full acquisition was subsequently completed in April 2025.

In December 2022, we completed the construction of and commissioned our 100% owned Great Lakes Cement Plant, situated in the city of Kalemie in the east of the DRC on the shore of Lake Tanganyika. The Great Lakes Plant has a daily clinker capacity of 3,500 tons, equivalent to an approximate annual capacity of 1.5 million tons of cement. The plant is equipped with limestone mines, coal mines, power stations and wharfs for the transshipment of clinker and cement to other markets.

In August 2023, we completed the construction and commissioned the Rwanda Grinding Mill situated 50 km from the center of Kigali, Rwanda's capital city. The 100% owned plant has a designed capacity of 1 million tons of cement and is designed to process clinker that has been produced and shipped from our Great Lakes Cement Plant in the DRC.

In May 2024, we completed the construction and commissioned the Andijan Cement Plant, located in the Fergana valley in Uzbekistan. The New Generation II dry process cement production line has a daily production capacity of 6,000 tons and an annual cement production capacity of 2.5 million tons. The plant is 77% owned by us, along with local Uzbek and Tajik partners.

In September 2024, we completed the construction of and commissioned the Lemi National Cement Plant, in Lemi, Amhara State, approximately 130 km away from Ethiopia's capital Addis Ababa. The line has a daily production capacity of 10,000 tons of clinker, equivalent to approximately 5 million tons of cement per year. We hold a 61.99% interest in the Lemi plant along with our Ethiopian partner East African Mining Corp PLC.

In January and May of 2025, we announced our agreements to acquire an aggregate of 98.77% equity interest in CILU that owns and operates an integrated cement plant in Lukala, near to Kinshasa, the capital city of the DRC. This acquisition is currently expected to close by the end of 2025.

In August 2025, we completed the disposal of our entire operations in Xinjiang Province, comprising four plants with a total annual production capacity of 3.5 million tons of cement.

In July 2025, we completed the construction and commissioned the Tanzania Grinding Mill, situated in Kigoma, west of Tanzania, with a designated capacity of 300,000 tons of cement. The grinding mill is approximately 10 km away from the Great Lakes, which enables our clinkers to directly ship from our Great Lakes Cement Plant.

PLANNED CAPACITY EXPANSION

As of the date of this Offering Memorandum, we have three production lines still in pre-production, two of which are in Uganda, located in Moroto Province and Jinja Province, which have a combined planned annual production capacity of 3 million tons. The other production line is located in Nampula Province, in the north of Mozambique, with a planned annual capacity of 1.5 million tons. Details of our new production lines are set forth in the table below.

Production Lines Under Construction	Location	Planned Annual Production Capacity (in million tons)	Target Production Commencement Date
WIH Uganda Moroto SMC . . .	Moroto, Uganda	1.5 million tons	1Q2026
WIH Uganda Jinja Grinding Mill	Jinja, Uganda	1.5 million tons	1Q2026
Dugongo Cement Nampula. . .	Nampula, Mozambique	1.5 million tons	1Q2027
Total.		4.5 million tons	

In respect of capital expenditures to be incurred for our new production facilities stated above, we intend to fund with cash generated from our operations and external financing.

PRODUCTION PROCESS

There are four key stages in the production of cement: (1) crushing of raw materials; (2) calcining and blending of raw materials; (3) sintering of clinker in a kiln; and (4) grinding and blending of clinker to produce cement. Each of our production lines includes all four stages. Please see the section headed “Industry Overview — Overview of the Cement Industry” in this Offering Memorandum.

Limestone and clay are first extracted from quarries using a blasting and ripping process. They then refined into a fine compound in crushing installations. The crushed materials are homogenized on blending beds before they are dried and mixed into roller grinding mills. These materials are mixed at different consistencies, depending on the type of cement being produced. After the raw materials are ground, they are placed in a raw meal silo. After that, the materials are burned in a kiln in a sintering process to produce clinker. The clinker is then cooled down in clinker silos and placed in ball mills or roller presses. Based on the type of cement to be produced, the clinker and other aggregates will be mixed together in an appropriate proportion. The mixture will then be fed into the cement grinding mill to be ground to the required fineness for cement production. After that, the cement is stored in silos, before being delivered to customers.

RAW MATERIALS

The primary raw materials used in our cement production are limestone, gypsum, clay, flyash, pyrite cinder and slag. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024, the costs of raw materials accounted for approximately 19.1%, 21.7%, 21.1% and 19.9%, respectively, of our total cost of sales of cement.

Limestone

The principal raw material used in the production of cement is limestone. Most of the limestone that we use for cement production is sourced from quarries which we have obtained licenses to excavate. We have sufficient reserves of limestone to meet the current production requirements of our existing production facilities for at least 30 years based on government surveyors’ reports on the amounts of our limestone reserves, the annual excavation limits specified in our mining licenses and our current production requirements. We have entered into cooperation mining agreements with independent third-party contractors to excavate limestone in the regions where we operate, except for Ethiopia where we extract limestone ourselves. The agreements are for terms of one year and automatically extended for another year upon expiry and the contractors are required to excavate different minimum amounts of limestone per year. We pay a fixed excavation fee for each ton of limestone excavated by the contractors and generally adjust the excavation fee at the beginning of each year based on, among other things, the market price, the excavation cost at the time of the adjustment and the actual limestone purchase amount in the past year. Some agreements with the contractors contain automatic price adjustment mechanism under which the excavation fee per ton is automatically adjusted upward if the increase in the costs of fuel exceeds a certain percentage. Under our agreements with the contractor, the contractors are responsible for excavating limestone with its own equipment and employees, and are liable for its employees’ personal injuries. The contractors are required to comply with applicable laws and regulations for excavation of limestone at our quarries. All of the limestone excavated by the contractors must be supplied to us and the contractors are not allowed to supply such limestone to any other third party. The supply of limestone will be in accordance with our production arrangement. With respect to our domestic operations, we have entered into an agreement with an independent third-party contractor to undertake blasting and drilling operations which are classified as extremely high-risk activities requiring a unit blasting permit. The agreement is for an initial one-year term and does not include a price adjustment mechanism. We pay the contractor based on the agreed-upon unit price per ton of limestone mined. The contractor provides the required volume of limestone blasting in accordance with our production plans. Under the agreement, the contractor must use its own equipment and personnel for drilling and blasting operations, assume liability for any personal injury to its employees, and comply with all applicable laws and regulations governing limestone extraction at our quarry.

We ensure that our contractors are in compliance with all relevant PRC, Uzbekistan, Mozambique and DRC laws and regulations by requiring them to provide us with the applicable licenses and renewal certificates as well as conducting safety inspections at the quarries on a monthly basis. However, we may still be held liable by regulatory authorities if our contractors fail to comply with the relevant laws and regulations in these countries. Contractors for limestone excavation are readily available in Shaanxi, Sichuan and Guizhou provinces in the PRC and our overseas countries of operation in Uzbekistan, Mozambique and DRC. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our average cost of limestone per ton were RMB18.9, RMB19.8,

RMB21.9, RMB19.6 and RMB18.9, respectively. In the PRC, our limestone cost per ton were RMB17.0, RMB18.3, RMB19.9, RMB16.1 and RMB17.9, respectively, over the same period. Overseas, our limestone cost per ton over the same period were RMB23.7, RMB22.6, RMB21.8, RMB24.1 and RMB19.2, respectively.

All of the limestone produced from our limestone quarries is used for our cement production. We have not made any external sales of limestone.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, we excavated approximately 18.6 million, 23.7 million, 24.0 million and 14.0 million tons of limestone, respectively. We purchased approximately 2.2 million tons, 3.1 million tons, 2.6 million tons and 0.7 million tons of limestone from third party limestone suppliers in the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively.

The mining rights obtained by us in relation to our limestone quarries in Shaanxi and Guizhou provinces, Sub-Saharan Africa and Central Asia are as follows:

<u>Name of Quarry</u>	<u>Location</u>	<u>Period of Validity</u>	<u>Area</u> (km ²)	Maximum Annual Excavation Volume Per Mining License⁽¹⁾ (tons in thousands)	Reserves as of June 30, 2025⁽²⁾ (tons in thousands)
Taibaishan (太白山)	Fuping County, Shaanxi Province	July 31, 2025– July 31, 2033	0.9	3,900.0	84,000
Baofengsi (寶峰寺)	Fuping County, Shaanxi Province	Aug 30, 2021– Aug 30, 2029	3.7	2,000.0	123,000
Yaowangshan (藥王山)	Pucheng County, Shaanxi Province	March 13, 2025– March 13, 2027	0.8	1,500.0	72,500
Dongdasha (東大山)	Dafeng County, Shaanxi Province	June 23, 2025– June 23, 2027	0.3	500.0	3,980
Laohugou (老虎溝)	Luonan County, Shaanxi Province	January 16, 2025– January 16, 2030	2.5	500.0	5,800
Dalingliang (大嶺梁)	Yang County, Shaanxi Province	September 6, 2013– September 6, 2033	0.7	1,230.0	116,000
Gaixiansi (蓋仙寺)	Xixiang County, Shaanxi Province	August 30, 2021– August 30, 2029	0.2	1,080.0	20,000
Dengzhanwo (燈盞窩)	Mian County, Shaanxi Province	July 13, 2023– July 13, 2028	0.2	1,100.0	10,000
Qingshanzhai (青山寨)	Xunyang County, Shaanxi Province	March 25, 2025– March 25, 2033	0.4	1,750.0	42,000
Yangquanshan (楊泉山)	Yaozhou District, Tongchuan City	September 6, 2019– September 6, 2027	1.1	2,000.0	80,000
Tunshang (屯上)	Huaxi District, Guiyang City	May 19, 2016– May 19, 2026	0.6	1,440.0	13,832
Dinghe ⁽³⁾ (丁河)	Ankang City, Shaanxi Province	Expired	2.0	150.0	6,154
Majiayuan (馬家院)	Zhen'an, Shaanxi Province	December 26, 2023– December 26, 2026	0.9	4,000.0	48,277
Haichuan Shiliangzi (海船石樑子)	Kangding, Sichuan Province	November 19, 2024– November 19, 2044	1.0	1,500.0	62,870

Name of Quarry	Location	Period of Validity	Area (km²)	Maximum Annual Excavation Volume Per Mining License⁽¹⁾ (tons in thousands)	Reserves as of June 30, 2025⁽²⁾ (tons in thousands)
Sub-Saharan Africa					
Dugongo (Mine 3704C)	Bella Vista, Maputo, Mozambique	September 14, 2010– September 14, 2035	6.0	Not applicable	85,000 ⁽⁴⁾
Dugongo (Mine 3838C)	Bella Vista, Maputo, Mozambique	March 4, 2011– March 4, 2036	5.0	Not applicable	85,000 ⁽⁴⁾
National Cement	Dire Dawa, Ethiopia	September 2, 2016– September 1, 2026	2.3	1,500.0	200,000
Lemi	Amhara region, Ethiopia	December 27, 2022– December 27, 2032	12.3	Not applicable	182,000
Great Lakes (Mine 4878)	Tanganyika, Kalemie, DRC	Expired ⁽³⁾	0.5	Not applicable	30,000
Great Lakes (Mine 4879)	Tanganyika, Kalemie, DRC	Expired ⁽³⁾	0.5	Not applicable	8,000
Katana Mine	South Kivu Province, DRC	March 26, 2025– March 26, 2030	3.4	Not applicable	5,850
Zimbabwe	Mashonaland West, Zimbabwe	Expired ⁽³⁾	2.0	Not applicable	50,000
Uganda	Moroto District, Uganda	January 24, 2024– January 24, 2045	11.5	Not applicable	117,000
SLN	Benguela province, Angola	June 17, 2019– June 17, 2029	10.0	Not applicable	1,668,711
Central Asia					
Andijan	Andijan region, Uzbekistan	February 16, 2024– February 16, 2049	1.0	Not applicable	196,000

Notes:

- (1) No maximum annual excavation volume is stated in certain of our overseas mining licenses.
- (2) The limestone reserve figures are extracted from compiled data, project approval documents issued by relevant government authorities, and documents issued by a government appointed expert committee, and an asset appraisal firm engaged by us.
- (3) We are in the process of renewing the validity period of the mining permit.
- (4) Combined reserves figure for Dugongo (Mine 3704C) and Dugongo (Mine 3838C).

Other raw materials

Our other raw materials primarily include gypsum, clay, flyash, pyrite cinder and slag and these products make up less than 7% of our cost of sales of cement. Gypsum and clay are low volume additives used to regulate the setting time of cement; flyash, pyrite cinder and slag are industrial waste by-products that we use in our cement production. We source these products from numerous suppliers, most of which are located close to our production facilities.

Our agreements with our major suppliers are generally for one year. Under the current arrangements with our suppliers of other raw materials, our suppliers generally provide the corresponding amount of the respective raw materials based on our order and need. We generally settle the purchase prices of such raw materials with our suppliers by prepayment or within the credit period granted. Most of the other raw materials are readily available in the market.

We believe that there is an adequate supply of limestone, gypsum, clay, flyash, pyrite cinder and slag and other raw materials for our production either from our own reserves or on the market and we do not foresee any difficulty in obtaining any of these raw materials for our production requirements in the near future.

ENERGY SUPPLY

Coal

Coal is used as fuel in our cement production. We obtain our supply of coal for our production facilities in Shaanxi, Guizhou and Sichuan Provinces from several large coal mines in the respective areas operated by various suppliers. In our overseas markets, we source coal from a number of suppliers and coal mines. Our Ethiopia operations use coal imported by rail from South Africa but has been gradually replacing this with lower cost domestic coal. In Mozambique, coal is imported by rail from mines approximately 450 km away in South Africa. Our Great Lakes Cement Plant in DRC sources coal from our wholly-owned subsidiary Malaka Coal Mine that is situated 60 km from our plant. In Uzbekistan, coal is imported from mines located approximately 430 km from our plant in Kyrgyzstan by both road and rail. We have supply contracts with our coal suppliers for terms of one year. We believe that our existing suppliers are capable of meeting our demand for coal and alternative sources of supply are considered unnecessary. The purchase price is determined when we place each purchase order with reference to the prevailing market price. We are usually able to obtain competitive prices from our coal suppliers due to our long-term relationships with them. We are usually required to make full payment in advance for the coal we purchase except for some suppliers in our overseas market with whom we have credit terms to settle at a later date. Coal is delivered to our production facilities by both road and rail transportation.

Coal constituted approximately 32.5%, 28.0%, 25.7% and 22.6% of our total cost of sales of cement for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. In the PRC, our average cost of coal per ton was approximately RMB1,063, RMB819, RMB738 and RMB590 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. In our overseas markets, our average cost of coal per ton was approximately RMB808, RMB1,106, RMB759 and RMB751 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. Movements in the price of coal have a direct impact on our results of operations. Coal costs in the PRC have steadily decreased since 2022 as a result of the PRC government's zero import tax policy and increased domestic supply as part of its guaranteed coal supply policy. Coal cost in our overseas operations have also decreased in recent years. This is firstly due to the increased use of advanced equipment that reduces coal consumption levels in our production process, and secondly is the adoption domestic, low-priced and low-calorific coal to replace the more expensive imported high-priced and high-calorific value coal and a subsequent reduction in transport costs. Our Great Lakes National Cement Plant utilizes coal from our own mines in close proximity to the plant instead of using imported raw coal.

Electricity

Electricity costs constituted approximately 9.5%, 9.4%, 9.3% and 8.0% of our total cost of sales of cement for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. We obtain our electricity supply from local branches of State Grid Corporation of China and the Electricity Supply Bureau in the regions where we operate. In our overseas markets, we either obtain our electricity supply directly from the state grid of the respective country or from our own power plants that we have constructed next to our cement plants. In the DRC, we have two 25 MW power plants at our Great Lakes National Cement Plant, and in Mozambique our Dugongo production lines has three 12 MW power plants. We pay standard industrial electricity rates and we have not in the past experienced any disruption in our operations due to an insufficient supply of electricity and do not anticipate any significant interruption in electricity supply that would have a material impact on our business. We pay for our electricity expenses at the end of each month based on actual consumption. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our average electricity purchase prices per KWh were RMB0.45, RMB0.41, RMB0.37 and RMB0.33, respectively. In the PRC, our electricity purchase prices per KWh over the same period were RMB0.42, RMB0.40, RMB0.38 and RMB0.37, respectively. For overseas, our electricity purchase prices per KWh over the same period were RMB0.73, RMB0.46, RMB0.36 and RMB0.28, respectively.

We have installed residual heat recovery systems in 11 out of 17 production lines in China. As of the date of this Offering Memorandum, we do not have these systems installed in our overseas capacity. These systems reduce the electricity consumption at each line by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production. In 2024, these systems generated 341 million kWh of power, saving 136,300 tons of coal consumption and reducing carbon dioxide emissions by 339,800 tons. These measures have resulted in significant emission reductions. Since 2021, we have reduced our total NOx emissions from close to 7,000 tons to 4,000 tons, our sulphur dioxide emissions from 600 tons to under 300 tons and our PM emissions from 600 tons to close to 200 tons. Since 2022, energy consumption per ton of clinker produced has fallen from 916 kWh to 853 kWh and energy consumption per unit of revenue has fallen from 1.53 kWh/RMB to 1.29 kWh/RMB.

Suppliers

We centralize most of our procurement. Xi'an Yaobai Material Company and the Shuohai International Trade Co., Ltd, our PRC-incorporated subsidiaries, are responsible for the centralized procurement of key raw materials such as gypsum, flyash, pyrite cinder and slag from our suppliers for our PRC and overseas operation, respectively. This is except for the subsidiaries in Ethiopia where procurement is centralized at the National Cement Share Company level. Our procurement department orders the relevant raw materials according to our monthly production plans. We are typically required to make full payment for our raw materials within one to three months after delivery. Our production lines source clay locally as it is easy to obtain and inexpensive.

The quality of the raw materials is checked by our quality control department to ensure that the raw materials purchased comply with our production requirements. In addition, our procurement department monitors the quality, the timing of delivery and the pricing of raw materials.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, purchases from our five largest suppliers accounted for approximately 37.5%, 19.4%, 23.4% and 14.3% of our total cost of sales, respectively. During the same periods, purchases from our largest supplier accounted for approximately 13.9%, 7.3%, 8.6% and 5.2% of our cost of sales, respectively. Our five largest suppliers during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were mainly suppliers of coal, electricity and limestone. To the best knowledge of our directors after due inquiry, as of December 31, 2024 and June 30, 2025 all of our five largest suppliers were independent third parties.

As of December 31, 2024 and June 30, 2025 none of our directors, their respective close associates or any of the shareholders (which to the knowledge of our directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

SALES AND MARKETING

Sales

In 2022, 2023 and 2024 and the six months ended June 30, 2025, we sold our products primarily to customers in Shaanxi, Guizhou and Xinjiang (prior to the Xinjiang plants disposal in August 2025) provinces in the PRC. In our overseas markets we sold our products in Ethiopia, Mozambique, the DRC, Rwanda and Uzbekistan, as well as exports to some neighboring countries. We sell most of our cement directly to government infrastructure projects, ready-mix concrete stations and distributors who then resell our cement to retail purchasers. We conduct our sales primarily through our sales offices in Shaanxi, Guizhou provinces in the PRC and Ethiopia, Mozambique, the DRC and Uzbekistan. We have established a subsidiary primarily in charge of the sales related aspect in the PRC. We operate break-bulk transfer stations in areas such as Jingbian Shaanxi, Suining Sichuan and Tianjin. These facilities utilize return-trip vehicles to store oil well cement at these locations, enabling timely delivery to target projects within their respective regions. We have 13 sales offices (covering Central, South and Southeast Shaanxi) in Shaanxi Province, one in Guizhou Province and one in Kangding, Sichuan province in the PRC. In our overseas operation, we have set up sales team in each of the countries where we sell cement. We also have a central sales team at our headquarter in Nairobi, Kenya. Our regional sales offices are responsible for, among other things, organizing sales activities, establishing market development plans and controlling marketing expenses. On the other hand, our local sales offices are more tailored toward customer service, with a focus on sales activities and product promotion. We centralize the management of our sales activities by setting sales targets and guidelines for the sales activities of each of the regional sales offices and monitoring their implementation.

Demand for our products is subject to seasonal fluctuations in our PRC markets and some of our overseas markets and certain climatic conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because the level of activity in the construction industry is relatively low under those conditions. In China, we usually record our lowest quarterly sales in the first quarter due to the Chinese New Year holidays and cold weather in Shaanxi Province. We generally experience an increase in sales volume of our products in the second and third quarters because of improved weather conditions in the PRC and we generally increase the prices of our products due to higher demand during this period as a result of the higher level of construction activities. Our sales in Ethiopia are typically at their lowest during the Muslim Ramadam fasting period, which lasts for one month during the first quarter until 2029 and the fourth quarter from 2030 until 2037. Our peak period in Ethiopia is usually in the second quarter when the weather conditions are at their best.

Marketing

Our marketing department gathers market information, such as cement prices, coal prices and transportation costs. Our general administrative office together with our sales department coordinate our marketing activities, which primarily include promotional media events, purchasing outdoor billboards, distributing promotional brochures and purchasing advertisements placed on vehicles. Our marketing activities are focused on raising the awareness of our brand.

We monitor market developments and customer preferences by having our sales personnel visit our customers and potential customers. Our sales personnel pay regular visits to our direct sales customers, both to provide after-sales support, such as seeking their feedback on ways to improve our delivery schedule and packing services as well as our adjustment to pricing policy and to assess their needs in order to meet their demand. Our sales personnel also visit potential customers and introduce our products to them by offering product samples and plant tours.

Customers

We have a broad and well-established customer base in Shaanxi Province in the PRC, Ethiopia, Mozambique, the DRC, Rwanda and Uzbekistan. In the PRC, our cement products are primarily sold to government infrastructure projects, ready-mix concrete stations and distributors, which then resell our products to retail purchasers in the PRC. We also participate in both the “open bidding processes” and “bidding by invitation” for supplying to government infrastructure projects in the PRC. In our overseas markets, most of our sales are made through distributors who then market our products into retail channels.

The table below sets forth our revenue from sales of cement and clinkers by customer type for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. In addition to the revenue from cement products, we also recorded revenue of RMB32.4 million, RMB159.0 million, RMB124.1 million and RMB72.2 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 from sales of aggregates and of RMB1.7 million, RMB1.9 million, RMB41.1 million and RMB35.8 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 from sales of commercial concrete. All of the above aggregates and commercial concrete sales were made in the PRC.

Type of Customer	For the year ended December, 31,			For the six months ended June 30,
	2022	2023	2024	2025
Government infrastructure projects ⁽¹⁾	1,676.3	1,429.3	1,241.1	483.9
Distributors (both entities and individuals).	2,502.1	3,790.8	3,790.8	2,583.9
Others ⁽²⁾	2,754.0	2,195.4	1,797.4	818.8
Total.	6,932.4	7,415.5	6,829.3	3,886.6

Notes:

- (1) Includes infrastructure projects sponsored by various levels of the PRC government or state-owned enterprises, such as railways, expressways, subways and hydroelectric power stations. All the sales are made within the PRC.
- (2) Others include customers of both entities and individual (including retailers), that directly purchased our products for use in among others, construction projects or sell to end customers.

As of June 30, 2025, we had about 430 personnel in our centralized sales department based in Xi'an in the PRC and in our overseas sales offices in Sub-Saharan Africa and Central Asia. According to the relevant requirements, our sales personnel should visit our customers, including our end customers, with monthly target. Our business managers will collect customer feedback and market data and submit internal reports to designated staff who will then report the updated results in different regions in weekly meetings. Our direct sales personnel are also required to meet certain sales targets and they are subject to target-based compensation.

Distributors

We also sell our cement to distributors in Shaanxi, Guizhou provinces in the PRC and Ethiopia, Mozambique, the DRC, Rwanda and Uzbekistan, which then resell our cement to retail purchasers. We enter into distributorship arrangements with these distributors in both PRC and overseas markets. In the PRC, we set a minimum purchase amount agreement with the distributors. We do not provide any credit sales to, nor do we allow any return of our products from, such distributors. We require the distributors to pay in advance the full purchase price for each purchase order they place with us. As an incentive, we provide rebates in the form of extra amounts of cement to such distributors with high sales volume at the end of each year. The amount of rebate provided is based on the annual sales volume of the distributors. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our rebates to the distributors amounted to approximately RMB74.5 million, RMB61.0 million, RMB70.8 million and RMB36.6 million, respectively.

The table below sets out the number of distributors that we engaged and their average number of years of relationship with us during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025:

Year/Period	Number of Distributors	Range of Years of Relationship between the Distributors and us
2022	421	1–33 years
2023	420	1–34 years
2024	450	1–35 years
Six months ended June 30, 2025.	372	1–36 years

We typically select our distributors based on their customer base and financial resources. To the best knowledge of our directors after due inquiry, all of our distributors during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were independent third parties.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our sales of cements and clinkers to distributors amounted to approximately RMB2,502.1 million, RMB3,790.8 million, RMB3,790.8 million and RMB2,583.9 million, representing approximately 29.5%, 42.0%, 45.4% and 47.7% of our total revenue for the same periods, respectively. We maintain close relationships with only selected distributors. We require full payment in advance from the distributors before we sell our products to them and therefore we did not suffer any loss in the past from our sales to such distributors.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, sales to our five largest customers accounted for approximately 8.3%, 11.2%, 12.8% and 17.3%, respectively, of our revenue, and sales to our largest customer accounted for approximately 2.8%, 3.2%, 3.2% and 12.2%, respectively, during the same periods. Our five largest customers during the same periods included (i) construction companies for government infrastructure projects; (ii) ready-mix concrete stations in Shaanxi Province and (iii) individual distributors, most of whom have maintained business relationships with us during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025.

As of the date of this Offering Memorandum, none of our directors, their respective close associates or any of our shareholders (which to the knowledge of our directors own more than 5% of our issued share capital) had any interests in any of our five largest customers.

Pricing policy

Due to the lack of product differentiation, competition for our products is based largely on price. As a result, the prices that we charge our customers are not likely to be materially different from the prices charged by other producers in the same markets. We set the prices for our products based on raw material costs, coal and electricity prices, market demand, our production capacity, transportation costs, inventory levels, competitors' prices and credit terms. A minimum price level is set for each type of cement, and is adjusted periodically. Any sales below the minimum price are subject to approval by the sales manager and senior management. Our central sales department, in Xi'an, the PRC, and in Nairobi, Kenya for our overseas operations, evaluate the factors affecting our selling price on a regular basis and adjusts our minimum prices when appropriate. We usually sell our products by prepayment or credit sales. In general, the prices for credit sales are higher than that under prepayment. We usually sell cement to our distributors at the same price as our direct retail customers. In certain cases, we sell our cement to some customers on a comparatively lower price based on the purchase volume. We set different prices for different markets based on estimated transportation costs as well as local market conditions. We do not have any control over the re-sell price charged by the distributors to end users.

Payment terms

We require our distributors and retail customers to make full payment of the contract price before they collect our products from our production facilities. We typically grant a credit period of 30 days to governmental infrastructure projects, and a credit period of 90 to 180 days to our trade customers including concrete producers. Our customers usually pay either by cash or by bank transfers, including banker's acceptance bill.

TRANSPORTATION

For coal, depending on contract terms, we are either required to collect the coal we purchase from our suppliers or our suppliers deliver it to us, in both cases at our own cost. In cases where our suppliers are responsible for delivery, they also bear the risk of loss in delivery, and we bear the risk of loss when we collect the raw materials from our suppliers. The distributors and some of our direct sale customers collect their cement purchases at their own cost at our production facilities. We arrange for transportation to deliver our cement to some government infrastructure projects at their own cost. If the actual cost of transportation exceeds the amount agreed between us and our customers, we pay the excess amount.

COMPETITION

The cement industry is extremely competitive and competition among producers and suppliers of cement is based primarily on price, with consistency of quality and service to customers being important but of lesser significance. Price competition among individual producers and suppliers of cement within a geographic area is intense because of the fungible nature of the product. Because of cement's low value-to-weight ratio, the relative cost of transporting cement on land is high and limits the geographic area in which each company can market its products profitably; therefore, the cement industry is fragmented into regional geographic areas rather than a single national selling area. No single cement company has a distribution of plants extensive enough to serve all geographic areas, so profitability is sensitive to shifts in the balance between regional supply and demand. As a result, we view only those companies with a presence in or near our target markets as our primary competitors. Our major competitors include those leading cement producers in the respective countries/regions in which we operate, such as Dangote in Ethiopia, Cimentos de Mocambique S.A. in Mozambique and BBMG Jidong Cement Group Co., Ltd. in Shaanxi province of the PRC.

We compete primarily on the basis of price, variety of product offerings, access to resources, sales and marketing network and brand image. We believe we compete favorably on the basis of each of these factors. However, some of our competitors may have better brand recognition in their local markets, better pricing or greater financial, technical or marketing resources than we do. Our production facilities are strategically located in our target markets which have enabled us to effectively establish dominance in Southern Shaanxi area, Ethiopia, Mozambique, the DRC and Uzbekistan. For many of the major infrastructure projects in the Southern Shaanxi area, we are the major cement provider that has NSP technology and the capability to produce high quality cement products within a commercially reasonable distance. Most of our competitors' core markets are in Central Shaanxi area in the PRC, Ethiopia, Mozambique and Uzbekistan. The PRC, Mozambique and Ethiopia are our target markets and which are adjacent to our core markets. As a result, they compete or could compete with us for the same target customers. If we fail to compete effectively against our competitors, our business, financial condition and results of operations may be materially and adversely affected.

RESEARCH AND DEVELOPMENT

Our research and development efforts focus on lowering costs by using waste materials as additives in our cement products. These by-products and waste materials are readily available at low cost. Our ability to recycle such materials and use them in our cement production lowers our overall cost of materials, which we believe represents a significant advantage that distinguishes us from our competitors. Our research and development costs recognized as an expense (included in cost of sales) during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 amounted to RMB380.3 million, RMB335.3 million, RMB284.5 million and RMB73.6 million, respectively.

INTELLECTUAL PROPERTY

We rely on a combination of trademarks, domain name registrations and contractual restrictions to establish and protect our intellectual property rights. In China, we sell our products under the trademarks including “尧柏” (Yao Bai) and “尧柏水泥” (Yaobaishuini) among others, which are registered with the PRC Trademarks Office under the State Administration for Industry and Commerce. For our overseas market, we sell our products under the trademarks “**National Cement**” in Ethiopia, “**GLC**” in DRC, “**CHEETAH**” in Rwanda, “**DUGONGO**” in Mozambique, “**QILIN Cement**” in Tanzania, “**YAObAI CEMENT**” in Uganda and “**WEST**” in Uzbekistan which are registered with the respective governmental authorities. In addition, we have registered our internet domains including

“yaobo.com.cn”, “westchinacement.com.cn”, “中國西部水泥中國” and “中國西部水泥有限公司.com” in China. As of the date of this Offering Memorandum, we have registered our corporate logos “ 中國西部水泥有限公司” and “ 中国西部水泥有限公司” in Hong Kong.

Any unauthorized use of our brand names, trademarks and other intellectual property rights could adversely affect our business, reputation and market position. Each of our research and development personnel has entered into a standard employment contract with us that is subject to renewal every three years, which includes confidentiality undertakings and an acknowledgement and agreement that all inventions, designs, trade secrets, works of authorship, developments and other processes developed or generated by them on our behalf during their employment by us are our property, and assigns to us any ownership rights that they may claim in those works.

QUALITY CONTROL

The production facilities of our following PRC subsidiaries, namely, Tongchuan Yaobi, Weinan Yaobai, Hancheng Yaobai, Lantian Yaobai, Longqiao Yaobai, Ankang Yaobai and Guizhou Linshan are accredited with ISO-9001 quality control system certification, with expiration dates between June 2022 and June 2028. All of our overseas subsidiaries are also equipped with IOS-9001 quality control system certification and/or other quality/product certification issued by the respective government authorities. For example, our Dugongo Plant has obtained Mozambique Product Quality Certificate, INNOQ System Certification and South Africa SABS Product Quality Certificate. We have established testing laboratories equipped with advanced testing equipment at our production facilities to work together with our production technology department to conduct quality testing and maintain quality control according to the national/European standards, including but not limited to, GOST 30515-2013, Γ OCT 31108-2020, EN197, ES1177, RS-EAS-81 and TBS727-1. Our quality control system includes raw materials and coal, production process and finished products quality control inspections. Raw materials and coal are tested by taking samples from each shipment. Any raw materials and coal that do not meet our requirements will be returned to the suppliers for replacement. We also set up multiple inspection points at different production stages to test our products by random sampling during the production process. All of our substandard products would be reprocessed and regenerated for use. Our finished products are inspected and tested by applying a variety of national standards prior to delivery. Such national standards include, but not limited to, GB/T 17671-2021 on compressive strength, GB/T17 6-2017 on cement chemical analysis method, GB/T 10238-2015 on oil well cement and GB/T201-2015 on aluminate cement.

As of the date of this Offering Memorandum, we are not involved in any material litigation nor have we entered into any settlement agreement with any third parties concerning the quality of our products.

PRODUCTION MANAGEMENT AND INVENTORY CONTROL

We plan our production and manage the inventory level of our finished products on a monthly basis based on projected sales volume and make periodic adjustments to the production schedule and volume based on actual orders received. We closely supervise our daily production and aim to maintain suitable inventory levels of raw materials and finished goods at each production facility.

We maintain different inventory levels for raw materials and coal depending on lead time required to obtain additional supplies. We typically maintain an inventory of between 5 to 10 days for limestone and between 10 to 30 days for coal. We typically maintain an inventory level of between 5 to 10 days for cement products. Our inventory turnover days (measured by dividing 365/180 (for the six months ended June 30, 2025) days by production cost divided by average inventory) for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 (excluding the inventories and cost on our sales of properties business) were 74 days, 79 days, 92 days and 103 days, respectively.

REPAIR AND MAINTENANCE

Regular repair and maintenance programs for our production facilities are scheduled by our production departments and carried out by our machinery and electrical repair teams to maximize production efficiency and avoid unexpected interruption of our operations. We conduct scheduled maintenance twice a year, which takes approximately one week to complete. Our machinery and electrical repair teams carry out day-to-day maintenance and repair of the facilities and machinery on an as-needed basis. Normally, maintenance is only carried out on one production line at each plant at a time to ensure the continuity of our production.

OCCUPATIONAL HEALTH AND SAFETY

We have obtained OHSAS18001 certification for our health and safety management systems in the Pucheng Yaobai, Hancheng Yaobai, Shifeng Cement, Ankang Yaobai, Hanzhong Yaobai, Mianxian Yaobai, Xixiang Yaobai, Jianghua and Guizhou Linshan Plants with expiry dates between February 2026 and September 2028. Overseas, our Great Lakes Cement SAS and Andijan WCC Cement LLC subsidiaries have also obtained ISO 45001:2018 and ISO 45001:2015 certification on occupational health and safety management system with expiration dates between January 2023 and January 2026 and September 2025 and September 2028, respectively. To ensure compliance with relevant PRC and overseas regulatory requirements in areas in which we operate, we have implemented a number of safety measures and established a safety supervision department that is responsible for formulation and implementation of such safety measures. This department currently consists of 139 personnel as of June 30, 2025, all of whom have relevant production safety management experience and qualifications issued by relevant governmental authorities. Our safety supervision department conducts inspections of our production facilities on a monthly basis to ensure that all of our operations are in compliance with existing laws and regulations. Our safety supervision department also conducts regular training sessions for employees two to three times each month on accident prevention and management. The safety measures we adopted include measures for personnel safety protection, vehicle operation safety and reward and penalty system for safe production. Such safety measures lay out the potential safety hazards, responsible personnel for safety matters, emergency reaction plans and periodic inspection procedures. Our operations are in compliance with the currently applicable labor and safety regulations in all material respects.

To prevent the future occurrence of industrial accidents, we have adopted a series of remedial measures, including the revision of relevant operation safety measures, inspection and modification of equipment, and holding training sessions for employees. We are committed to further reducing our personal injury rates and maintaining high safety standards at our production facilities in the future by enhancing the implementation of various safety measures, inspecting production facilities for potential problems and increasing the safety awareness of the employees by providing training on a regular basis. We also provide various healthcare benefits to our employees in accordance with applicable laws and regulations and 33 of our PRC subsidiaries have obtained the occupational health and safety certification. To prevent potential future risks, we have also adopted various emergency action plans for limestone mining accidents, special equipment failure accidents, coal storage facility fire accidents and other accidents. Such plans set forth the responsible personnel and procedures to control and minimize the damage in emergency situations.

FINANCIAL LEASING BUSINESS

In June 2017, Guangxin International, a wholly-owned subsidiary of ours, obtained the approval of the Ministry of Commerce of the PRC as a licensed lessor. During the second half of 2017, we commenced a new financial leasing business where we enter into certain financial leasing arrangements which involve receiving ownership titles of certain assets by us from third parties and then leased those assets back to such third parties. We also enter into certain entrusted loans and loans collateralized by receivables with third parties with fixed interest rates over the term of the contract. The primary types of assets involve include machineries, mining equipment, vehicles and equity interest. These financial leasing arrangements are accounted for as our loan receivables. We had loan receivables of RMB726.5 million, RMB637.8 million, RMB408.4 and RMB311.3 million as of December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. Interest income derived from loan receivables amounted to RMB107.4 million, RMB66.3 million, RMB55.2 million and RMB16.1 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. The capital deployed in this financial leasing business, as well as the size of such business, is being decreased as we focus our capital on other areas of our business.

INSURANCE

We maintain loss of cash and property insurance covering our equipment, vehicles and facilities for loss due to fire, flood and a wide range of natural disasters. We also maintain production safety liability insurance for certain of our mines, work injury insurance and medical insurance for our staff. We do not maintain public liability insurance, product liability insurance, business interruption insurance or any insurance for key employees. We believe our insurance coverage is customary and standard with respect to the type and scope of coverage for companies of comparable size in the cement industry in China and overseas areas in which we operate.

EMPLOYEES

As of June 30, 2025, we employed a total of 10,458 full-time employees. A breakdown of our employees by function is shown below:

<u>Employee Function</u>	<u>Number of Employees</u>
General and administration.	1,949
Production/technical	8,079
Sales and marketing	430
Total.	10,458

Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, total staff costs were approximately RMB776.6 million, RMB933.1 million, RMB869.1 million and RMB421.6 million, respectively.

Under the relevant laws and regulations in the PRC and our other overseas region where we operate, we are required to make contributions to pension funds, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident funds and/or other staff welfare for our employees.

SOCIAL WELFARE SCHEMES

We are required by relevant laws and regulations in the PRC and overseas regions where we operate to participate in various social welfare schemes including pension, medical, unemployment, birth, work-related injury insurances and/or housing provident fund contributions. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, we contributed approximately RMB57.2 million, RMB67.4 million, RMB64.0 million and RMB30.2 million to the relevant social insurance schemes, respectively.

PROPERTY

As of June 30, 2025, we owned 54 parcels of land, with an aggregate site area of approximately 20,960,000 square meters. We own 139 buildings and units, with an aggregate gross floor area of approximately 228,130 square meters. As of June 30, 2025, in respect of our production lines under construction in Ankang, Shaanxi province, we had under construction buildings and structures with planned gross floor area of approximately 184,283 square meters. We also have leased properties in different locations including Shaanxi, Guizhou and Sichuan provinces in the PRC, Hong Kong, Ethiopia, Mozambique, the DRC, Uzbekistan and other regions.

ENVIRONMENTAL COMPLIANCE AND POLLUTION CONTROLS

The cement industry is categorized as a polluting industry under PRC laws. Our production processes generate noise, waste water, gaseous wastes and other industrial wastes. Our production facilities are subject to various environmental laws and regulations promulgated by national and local governments with respect to noise and air pollution and the disposal of waste and hazardous materials. According to the Environmental Protection Law of China (中華人民共和國環境保護法) and other relevant laws and regulations, companies that discharge contaminants must report and register with the State or the relevant local environmental protection authorities. The State Environmental Protection Administration sets national discharge standards for various pollutants and local environmental protection bureaus may set stricter local standards. Enterprises are required to comply with the stricter of the two applicable standards. The central and local governments provide schedules of base-level discharge fees for various polluting substances and if such levels are exceeded, the polluting entity will be required to pay excess discharge fees. Local governments are also authorized to issue orders to stop or reduce discharges in excess of the base levels. Each of our production plants, prior to its construction, is required to be evaluated for its environmental impact and when constructed, is required to be tested and approved by local environmental agencies, and is subject to continuous government monitoring thereafter. See the section headed “Regulatory Overview — Environmental Protection” in this Offering Memorandum.

We have established and implemented various internal control rules and guidelines regarding environmental compliance and pollution controls, such as the guidelines on control and management of waste water, solid waste and waste gas, the guidelines on management of the operation of pollution

control systems and the guidelines on management of data related to environmental protection. We also regularly maintain our pollution control and waste treatment facilities and monitoring system to ensure that they function normally and the data collected is accurate.

We have also established a Safety and Environmental Protection Committee comprising senior management at both our senior management and production facility level who are responsible for the day-to-day operation and production management at such facilities, some of whom have relevant qualifications in production safety and environmental management. The committee is responsible for overseeing our environmental protection related matters. The main responsibility of our environmental protection committee includes (i) providing regular training to our staff, (ii) conducting regular on-site inspection, (iii) promoting updated national laws about environmental protection and (iv) implementing the opinions and requirements of local environmental protection authorities.

We have established a pollution control system and installed various kinds of equipment to process and dispose of our industrial wastes and hazardous materials to minimize the impact on the environment. Our emission of pollutants is below the relevant national standards. 31 of our subsidiaries have met the ISO 14001 environmental management standards.

Air: We generate dust in our cement production process. We have installed electrostatic precipitators and bag filters for the collection and removal of dust. Electrostatic precipitators apply high voltage static electricity to separate gas and dust. During the cement production process, dusty air will pass through the electrostatic precipitator where dust is removed. Bag filters are more widely used among cement producers. During the cement production process, dusty air passes through the bag filter which purifies the air, and the purified air is then discharged. We also required our contractors to install dust collectors for the platform punchers to collect the rock power in bags or cover with dust screens, which significantly reduces flying dust.

Water: We have a water treatment and recycle system which allows us to recycle and reuse water. Water in the waste heat power generation system and production cooling water system is recycled and we have achieved zero discharge of sewage in all our PRC subsidiaries. In our overseas operations, we have water treatment and recycling systems for most of our subsidiaries and the design standard of such systems is the same as those that we have in the PRC.

Noise: We have also installed mufflers, acoustic claddings and soundproof doors to control the noise generated during our operations.

Mining areas: We plan to actively rehabilitate the mining areas where the environment is affected by the mining activities after the limestone quarries are fully excavated or when our mining rights expire. Measures include careful selection of actual mining sites and location of storage of limestone to minimize impact to the mining area, proper storage and re-use of soil removed and planting sufficient replacement vegetation after the mining is completed. As of June 30, 2025, the re-greening area and reforestation area of our former mining areas reached 1.9 million square meters and 1.0 million square meters, respectively.

We have fully complied with the relevant environmental rules and regulations and have obtained all environmental permits and approvals necessary to conduct our existing business. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our cost of compliance with applicable environmental protection laws and regulations was approximately RMB149.7 million, RMB93.6 million, RMB65.3 million and RMB18.6 million, respectively. In recent years, we have invested heavily and shown strong commitment to meeting relevant environmental rules and regulations by installing improved pollution control systems which has resulted in a reduction in our compliance costs over the past three years. The cost of compliance for the year ending December 31, 2025 is expected to decrease as compared to December 31, 2024, primarily due to the upgrades made to our pollution control system which will require less expenditure to maintain than would otherwise have been the case. We have not encountered material environmental claims or been subject to any material sanctions or fines for environmental violations in the past. As environmental protection regulations continue to evolve in the PRC and overseas regions where we operate, we may be required to make significant expenditures to upgrade our production facilities to comply with environmental regulations that may be adopted or imposed in the future.

GOVERNMENT INCENTIVES

Pursuant to the Announcement on the Value-added Tax Policies for Comprehensive Utilization of Resources (關於資源綜合利用增值稅政策的公告) and the Circular on Issuing the Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources (關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知) issued by Ministry of Finance and the State Taxation Administration. We enjoy VAT refunds for cement products that use a certain percentage of waste materials as raw materials. During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, such VAT refunds amounted to RMB99.3 million, RMB97.0 million, RMB90.9 and RMB27.5 million, respectively, representing 1.17%, 1.08%, 1.09% and 0.51% of our revenue during the same periods.

Some of our PRC subsidiaries are entitled to preferential enterprise income tax, or EIT, rate of 0 to 20% under the applicable government policies, compared with the regular national enterprise income tax rate of 25%. For example, Fuping was entitled to a preferential EIT rate of 15% in 2017 and will continue to be entitled to this preferential rate until December 31, 2030 if its revenue from encouraged business in a year accounted for more than 60% of its total income in that year. Please refer to Note 8 to our consolidated financial statements included elsewhere in this Offering Memorandum for details of the various preferential tax incentives that we enjoy. See “Risk Factors — Risks Relating to our Business — We currently enjoy certain tax incentives in the PRC and overseas. Expiration of, or changes to, these incentives could materially and adversely affect our results of operations and financial condition”.

Our overseas subsidiaries also enjoy certain tax incentives granted by the respective tax authorities. Our subsidiaries, Great Lakes Cement SAS in DRC, Lemi National Cement PLC in Ethiopia and Hong Xing Glass Congo SARL in Congo are currently enjoying 0% enterprise income tax rate up to December 2028, October 2028 and August 2028, respectively. Additionally, our subsidiaries Mozambique Dugongo Cement (Nampula) Co., Ltd. in Mozambique and WIH Cement Uganda — SMC Limited in Uganda, that are currently under construction, have been granted 0% enterprise income tax rate of 5 years and 10 years, respectively, from the date they commence operation.

LEGAL PROCEEDINGS AND COMPLIANCE

During the year ended December 31, 2022, we received an administrative penalty order made by Shaanxi Administration for Market Regulation (“SXAMR”) for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. We were ordered to pay a penalty that was measured based on a percentage of the total sales in the region during such period. Our directors determined that the penalty order made by SXAMR was unjustified and we filed an objection to the State Administration for Market Regulation (“SAMR”) against the original order during the same year. In October 2022, the proceeding of the objection to SAMR was temporarily suspended and we entered into an arbitration with SXAMR in relation to the penalty order. We were unable to reach a settlement with SXAMR and in March 2023 the proceeding of objection was resumed. On March 21, 2023, SAMR upheld the original judgement made by SXAMR. In April 2023, we commenced an administrative litigation to Beijing Intellectual Property Court (“BJIPC”) against the order from SXAMR and the result of objection from SAMR. In December 2023, BJIPC upheld the original judgement made by SXAMR and SAMR. On January 5, 2024, we filed an appeal to The Supreme People’s Court of the PRC (The “Supreme People’s Court”). The Intellectual Property Court of the Supreme People’s Court held a hearing on this case on October 22, 2024. On October 27, 2025, the Supreme People’s Court upheld the judgement made by the BJIPC. The Company is seeking advice from its legal advisors on the next step to be taken for an appeal. We have made provision for this administrative penalty in our consolidated financial statements in the amount of approximately RMB156.1 million as of June 30, 2025.

Save as disclosed above, we were not involved in any legal, administrative or arbitration proceedings which had a material adverse effect on our business, results of operations or our financial position during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. Save as disclosed above, as of the date of this Offering Memorandum, we were not aware of any legal, arbitration or administrative proceedings against or matters involving us or any of our directors or senior management members which may have a material adverse effect on our business, results of operations or financial position.

All our business and operations are in Shaanxi, Guizhou and Sichuan provinces, the PRC and Ethiopia, Mozambique, the DRC, Rwanda, Tanzania, Uzbekistan and other neighboring countries where we export our products. We have complied with all material applicable laws and regulations in jurisdictions where we operated for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 and we have obtained all material permits, certificates, licenses and approvals for our operations except as otherwise disclosed herein. In order to maintain our on-going compliance with the relevant regulatory requirements in such jurisdictions, we have adopted different measures, including setting up of Safety and Environmental Protection Committee and appointment of external legal advisors in the PRC and overseas area in which we operate to advise us on compliance with applicable laws and regulations.

REGULATORY OVERVIEW

This section sets out a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate. These include the laws and regulations relating to our production and sales of cement in the PRC and the relevant laws and regulations in relation to environmental protection, taxation, labor and foreign exchange. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

THE PRC LAWS IN RELATION TO CEMENT INDUSTRY

Cement Production License

Pursuant to the “Regulations of the People’s Republic of China on the Administration of Production License for Industrial Products” (《中華人民共和國工業產品生產許可證管理條例》) first promulgated by the State Council on July 9, 2005, which entered into force on September 1, 2005 and revised in 2023, the “Measures for the Implementation for the Regulations of the People’s Republic of China on the Administration of Production License for Industrial Products” (《中華人民共和國工業產品生產許可證管理條例實施辦法》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on April 21, 2014, which became effective on August 1, 2014 and revised on March 28, 2025, and along with the “Implementation Rules for the Production License of Cement Products” (《水泥產品生產許可證實施細則》) which was promulgated by the State Administration for Market Regulation and became effective on December 1, 2018, the PRC adopted a production license system for the enterprises producing cement products and on June 30, 2025, the State Administration for Market Regulation just released the draft for soliciting opinions of Implementation Rules for the Production License of Cement Products (《水泥產品生產許可證實施細則》徵求意見稿) which indicates the higher standard of the cement industry and in the draft of soliciting opinion, several new types of general cement and special cement.

Industry Policy

The “Interim Provisions on Promoting Industrial Structure Adjustment” (《促進產業結構調整暫行規定》) was promulgated by the State Council on December 2, 2005 with effect on the same day, and the “Guidance Catalogue of Industrial Structure Adjustment (2019 Edition)” (《產業結構調整指導目錄(2019年本)》) (collectively, “Industrial Structure Adjustment Provisions”), passed on December 1, 2023 and came into effect on February 1, 2024, was first promulgated by NDRC on October 30, 2019 and with effect on January 1, 2020 as Guidance Catalogue of Industrial Structure Adjustment (2019 Edition). The “Guidance Catalogue of Industrial Structure Adjustment” is composed of three categories of industries, namely, the encouraged category, the restricted category and the eliminated category. The industries not belonging to the encouraged category, the restricted category or the eliminated category, but conforming to the relevant laws, regulations and policies of the state, shall belong to the permitted category. The permitted category shall not be listed into the “Guidance Catalogue of Industrial Structure Adjustment”. The new investments project under the restricted category shall be prohibited. The investment administrative department shall not examine, approve, ratify or archive the projects under the restricted category. No financial institution shall grant loans for such projects, and no administrative departments of land administration, urban planning, construction, environmental protection, quality inspection, fire prevention, customs, or industry and commerce, etc. shall handle the relevant procedures for such projects. In case of any violation of the provisions to carry out construction based on investment or financing, the relevant entities and persons shall be subject to liabilities. With respect to the existing production capacities under the restricted category, the enterprises shall be allowed to, within a certain period, take measures to transform or upgrade themselves, and the financial institutions shall, in compliance with the credit principles, continue providing supports. The relevant administrative department of the state shall, when required by industrial structure optimization and upgrading, comply with the principle of selecting the superior and eliminating the inferior and provide classified guidance.

All investments after the effective date of the Industrial Structure Adjustment Provisions in the eliminated category are prohibited. All regions, departments and enterprises concerned shall adopt strong measures to eliminate the prescribed production technology, equipment and products within a prescribed timeframe. For enterprises which fail to do so, the local people’s governments at all levels and the competent authorities shall order suspension or closure in accordance with relevant PRC laws and regulations. If the products of such enterprises are regulated under the production permit system, the competent authorities shall revoke the production permits in accordance with the law. The State Administration for Market Regulation (“SAMR”) shall supervise and urge the enterprises to undergo procedures for modification or cancelation of their registration in accordance with the law. The

environmental protection and management authorities shall revoke the discharge licenses of such enterprises. If the relevant requirement is not fulfilled, the person with direct responsibilities and the related leadership shall be pursued for liability.

Foreign Investment in Real Estate Development

According to the Foreign Investment Law (《中華人民共和國外商投資法》), foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organizations, including the following circumstances: (i) a foreign investor establishes a foreign-funded enterprise within the territory of China, either alone or together with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor invests in any new project within the territory of China, either alone or together with any other investor; and (iv) a foreign investor invests in any other way stipulated under laws, administrative regulations or provisions of the State Council. And a foreign-funded enterprise refers to an enterprise incorporated under Chinese laws within the territory of China and with all or part of its investment from a foreign investor.

The Foreign Investment Law further prescribes that the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. If more preferential treatment for access of foreign investors is provided under international treaties or agreements governing foreign investment that the PRC concludes or accedes, such provisions may apply.

Under the Special Measures (Negative List) for the Access of Foreign Investment (Edition 2024)(《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “Negative List (Edition 2024)”) promulgated by NDRC and MOFCOM on September 6, 2024 and became effective on November 1, 2024, cement industry does not belong to industry specified in the negative list that a special administrative measures for access of foreign investment shall be imposed.

Production Safety

According to the “Production Safety Law of the People’s Republic of China” (《中華人民共和國安全生產法》) promulgated by the NPC Standing Committee on June 29, 2002, revised on August 27, 2009, August 31, 2014 and June 10, 2021, respectively, production entities shall fulfill the production safety requirements under the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities which fail to meet the production safety requirement may not engage in any production activities. Enterprises shall organize education and training on production safety for its staff. They shall also provide their staff with labor protective articles which meet the national or industrial standards and supervise and guide their staff to wear and use such articles according to the prescribed use.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the People’s Republic of China (Revised in 2014)(《中華人民共和國環境保護法》(2014年修訂)), the Prevention and Control of Noise Pollution Law of the People’s Republic of China (《中華人民共和國噪聲污染防治法》), the Administrative Regulations on Environmental Protection for Development Projects (Revised in 2017) (《建設項目環境保護管理條例》) and the Interim Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (《建設項目竣工環境保護驗收暫行辦法》(2017年修訂)). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities and the construction unit will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

The Foreign Currency Administration Rules

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《外匯管理條例》) (the “SAFE Regulations”) which was promulgated by the State Council and latest amended on August 5, 2008. Under the SAFE Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)(the “SAFE Circular No. 37”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (the “PRC Resident”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “Circular 13”), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Regulations on Dividend Distribution

Under the PRC Company laws, a company in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10.0% of their after-tax profits each year, if any, to fund certain reserve funds. Until such time as the accumulated reserve funds reach and remain above 50.0% of the enterprise’s registered capital amount, these reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which was promulgated on March 16, 2007 and latest amended on December 29, 2018, a unified income tax rate of 25% is applied for both domestic and foreign-invested enterprises. Furthermore, pursuant to the EIT Law and the Implementation Rules on the Enterprise Income Tax (《企業所得稅法實施條例》) (“the EIT Implementation Rules”) which was promulgated on December 6, 2007 and with effect from January 1, 2008, amended on April 23, 2019 and December 6, 2024, respectively, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of

business in the PRC but have income sourced within the PRC. Furthermore, the EIT Implementation Rules provide that a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors.

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty, one such requirement is that the taxpayer must be the “beneficiary owner” of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) promulgated on February 3, 2018 and became effective on April 1, 2018, defined the “beneficial owner” as a person who owns or controls income or the rights or property based on which the income is generated, and introduced various factors to adversely impact the recognition of such “beneficiary owners”.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and revised on November 10, 2008 and February 6, 2016, respectively, and latest amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay VAT.

Pursuant to the Announcement of the SAT on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (《國家稅務總局關於發布〈房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法〉的公告》) which was promulgated on March 31, 2016 and with effect from May 1, 2016 and amended on June 15, 2018, real estate developer shall pay VAT for the sales of its self-developed real estate project.

Circular regarding the Pilot Program on Comprehensive Implementation of VAT from Business Taxes Reform (《關於全面推開營業稅改徵增值稅試點的通知》), promulgated by Ministry of Finance and the SAT on March 23, 2016, effective on May 1, 2016 and amended by Notice on Pilot Policies of Levying VAT in Lieu of Business Tax for Construction Services and Other Sectors (《關於建築服務等營改增試點政策的通知》) on July 11, 2017 and Announcement on Policies to Deepen VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 provides that upon approval by the State Council, the pilot program of replacing business tax with VAT shall be implemented nationwide effective from May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay VAT instead of business tax. According to the appendix of this notice, entities and individuals engaging in the sale of services, intangible assets or real property within the territory of the People's Republic of China shall be the taxpayers of VAT and shall, instead of business tax, pay VAT. The sale of real property and the secondhand housing transaction shall adopt this notice as well. Under the Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on VAT (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》) which was promulgated on November 19, 2017 and came into effect on the same day, business tax is officially replaced by VAT.

Land Appreciation Tax

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and latest amended on January 8, 2011 as well as its implementation rules issued on January 27, 1995 (《中華人民共和國土地增值稅暫行條例實施細則》), land appreciation tax is payable on the appreciation value derived from the transfer of State-owned land use rights and buildings or other facilities on such land, after deducting the deductible items.

LABOR PROTECTION

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995 and latest amended on December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

Under applicable PRC laws, including the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

PRC MERGER & ACQUISITION

Pursuant to the Regulations on Mergers of Domestic Enterprises by Foreign Investors (Revised in 2009) (《關於外國投資者併購境內企業的規定》2009年修訂) (the “M&A Rules”) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAIC (now changed to SAMR), the China Securities Regulatory Commission and the SAFE on August 8, 2006, and subsequently amended by the MOFCOM on June 22, 2009, acquisition of a domestic enterprise by a foreign investor refers to the purchase by foreign investors of the equity interests of the shareholders of non-foreign invested enterprises established within the territory of PRC or the subscription by foreign investors of the capital increase of domestic companies, thus converting and re-establishing such domestic companies as foreign-invested enterprises; or, and the purchase by agreement of the assets of domestic enterprises and operation of such assets through the foreign-invested enterprises established by foreign investors for the purpose of merging and acquiring domestic enterprises, or, the purchase of the assets of domestic enterprises through agreement by foreign investors who then use such purchased assets to establish a foreign-invested enterprise which operates such assets. As for merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or natural person in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or natural person, such merger and acquisition shall be subject to examination and approval of the Ministry of Commerce. With the enactment and enforcement of Foreign Investment Law, some of the provisions in the M&A Rules, which are inconsistent with Foreign Investment Law, based on the Q&A released in the official website of the Ministry of Commerce, will no longer be executed.

On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

RECORD FILING AND REGISTRATION

The Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the “NDRC Circular No.2044”) issued by the National Development and Reform Commission of the PRC or its local counterparts (“NDRC”) on September 14, 2015 which came into effect on the same day, relates to the matters on issuance of foreign Debt filing and registrations. Released on January 5, 2023 and came into effect on February 10, 2023, the Administrative Measure for Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(發改令第56號)) (the “Order of NDRC No.56”) replaced the NDRC Circular No.2044, which mainly revised in below aspects:

- from the supervision during and after the process, and the recording filing and registration system to “review and registration management” and established a clear system for the supervision during and after the process by requesting the enterprises to report the information about the use of foreign debt funds, repayments of principal and interest, plans and arrangements and others within 5 working days before the end of January and the end of July each year;
- restrict the use of the foreign debt, stipulating that the use shall meet the principles of not violating Chinese laws and regulations, no threatening or damaging China’s national interests and the security of the economy, information and data, not violating China’s relevant development plans and industrial policies or increasing hidden debts of local governments and those kind;
- included the requirement that none of the enterprise, its controlling shareholders or de facto controller has committed criminal offenses of corruption, bribery, embezzlement, misappropriation of property, disruption of the socialist market economic order in the recent three years prior to the application, or is currently under formal investigation on suspicion of any other offenses or material violation of laws and regulations;
- stipulated the legal liability of violating Order of NDRC No.56, include the measures of summoning the enterprise concerned and holding a regulatory talks, giving public warning or imposing other punitive penalty depending on the severity of the circumstances, the liable entities shall be the enterprise concerned and its main liable persons. Increase the liability of the intermediary agencies involved if such agency provides intermediary services for an enterprise where it knows or should know that the enterprise borrows foreign debts in violation of the provisions hereof; or there is concealment, false representation, misleading statements or major omissions in the written verification report and opinion it issues and related disclosed information;
- define clearly the term “indirect overseas borrowing of foreign debts by domestic enterprises”, which means that enterprises whose main business activities are in China issue bonds or borrow commercial loans overseas in the name of enterprises registered overseas, based on the equity, assets, earnings or other similar rights and interests of the domestic enterprises; and
- prolong the review time limit from seven working days as stipulated in NDRC Circular No.2044 to three months excluding the time for additional disclosures or explanations as are required for an enterprise, or further verification of issues is demanded for the intermediary agency requested by the authorities.

MANAGEMENT

DIRECTORS

Our board currently consists of twelve directors, comprising four executive directors, three non-executive directors and five independent non-executive directors. The powers and duties of our board include convening general meetings and reporting our board's work at our shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports; formulating proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital, as well as exercising other powers, functions and duties conferred by our memorandum and articles of association. We have entered into service contracts with each of our executive directors and non-executive directors. We have also entered into letters of appointment with each of our independent non-executive directors.

The following table sets forth certain information concerning our directors: The business address of our directors mentioned below is Yaobai R&D Training Center, No.336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, PRC.

Name	Age	Position
Mr. Zhang Jimin	70	Chairman and Executive Director
Mr. Cao Jianshun	52	Executive Director and Chief Executive Officer
Mr. Chu Yufeng	47	Executive Director and Chief Financial Officer
Ms. Wang Rui	46	Executive Director and the deputy general manager and Party secretary of Yaobai Special Cement Group Co., Ltd ("Yaobai Special Cement Group")
Mr. Ma Zhaoyang	56	Non-executive Director
Mr. Wang Zhixin	51	Non-executive Director
Mr. Wang Manbo	44	Non-executive Director
Mr. Lee Kong Wai Conway	70	Independent Non-executive Director
Mr. Tam King Ching Kenny	75	Independent Non-executive Director
Mr. Zhu Dong	63	Independent Non-executive Director
Mr. Feng Tao	68	Independent Non-executive Director
Mr. Lau Ka Keung	49	Independent Non-executive Director

Executive Directors

Mr. Zhang Jimin (張繼民), aged 70, is the chairman and executive director of our Company. He was appointed an executive director of our Company on October 27, 2006. He is the chairman of the nomination committee of our Company and a member of the remuneration committee of our Company. Mr. Zhang is the founder of our Group and is also a director of a number of our subsidiaries, including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

Mr. Zhang has more than 28 years of experience in the cement industry. He was the factory manager of the Shaanxi Province Pucheng County Hanjing Town Second Cement Factory (陝西省蒲城縣罕井鎮第二水泥廠)(one of the predecessors of our production facility in Pucheng) from 1985 to December 1990 and the manager of the Pucheng County Hanjing Town Cement Factory (蒲城縣罕井鎮水泥廠) (another predecessor of our production facility in Pucheng) thereafter. These two small cement facilities represent our origins, demonstrating our growth under the management of Mr. Zhang. Mr. Zhang has actively participated in various cement technology development projects and from 1992 to 1994, he led the development of low heat slag cement and moderate-heat Portland cement, winning the Second Grade Science and Technology Progress Prize issued by the Government of Shaanxi Province.

Mr. Zhang also holds several industry associations and political positions. He is the Chairman of the Shaanxi Province Cement Association (陝西省水泥協會), an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province (陝西省工業和資訊化廳原材料處) and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory regime, maintaining fair market competition, providing technology and human resources and assisting the Shaanxi Government in regulating the cement industry

in Shaanxi Province. Mr. Zhang was also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress (陝西省第十一屆人民代表大會常務委員會西安市代表) and participated in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province. Mr. Zhang was also the Vice President of the China Cement Association.

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

Mr. Cao Jianshun (曹建順), aged 52, was appointed as an executive director and chief executive officer of our Company on February 2, 2023. Mr. Cao graduated with a bachelor's degree in economics management from Party School of Shaanxi Provincial Committee of the C.P.C (中共陝西省委黨校) and a master's degree in business administration from Northwest University (西北大學) in China.

Mr. Cao has extensive management and technical experience in the building materials industry in China. He joined Yaobai Special Cement Group, a wholly-owned subsidiary of our Company, in March 1994 and has held various key positions successively, including (i) director of Cement Machinery Factory of Yaobai Special Cement Group from January 1997 to August 2005; (ii) director of No. 1 Cement Factory of Pucheng Yaobai Special Cement Co., Ltd. (蒲城堯柏特種水泥有限公司) (the "Pucheng Yaobai") from August 2005 to June 2008; (iii) manager of Ankang Yaobai Cement Co., Ltd. (安康市堯柏水泥有限公司) from June 2008 to December 2012; and (iv) general manager in the Ankang Region of Yaobai Special Cement Group from January 2013 to December 2015. Besides, Mr. Cao served as general manager of Chzhungtsai Mohir Cement LLC (中材國際莫伊爾水泥有限責任公司) from January 2016 to December 2018 and vice president of International Cement Investment Management Company (國際水泥投資管理公司) from January 2019 to January 2023. He has been the chairman and president of Yaobai Special Cement Group since January 2023.

With extensive experience in the building materials industry, Mr. Cao won the "Shaanxi Provincial Building Materials Industry Advanced Individual (陝西全省建材行業先進個人)" award.

Mr. Chu Yufeng (楚宇峰), aged 47, was appointed as an executive director of our Company on February 2, 2023 and he has been appointed as the chief financial officer of our Company since January 14, 2020. Mr. Chu graduated with a bachelor's degree in international accounting from Xi'an JiaoTong University (西安交通大學) in June 1999 and a master's degree in business administration from an international business program jointly organized by Maastricht School of Management of Netherlands and Independent University of Bangladesh in June 2005.

Mr. Chu has extensive experience in financial management. He joined our Group in July 2012 and has held various key positions successively, including (i) deputy director of finance department of Yaobai Special Cement Group from July 2012 to July 2013; (ii) supervisor of internal audit department of Yaobai Special Cement Group from August 2013 to July 2014; (iii) director of finance department of Yaobai Special Cement Group from August 2014 to December 2016; (iv) general manager of finance department of Yaobai Special Cement Group from January 2017 to December 2019; (v) chairman of Xi'an Guangxin Microfinance Co., Ltd. (西安光信小額貸款有限公司) from January 2019 to December 2021; and (vi) vice president of Yaobai Special Cement Group from January 2020 to December 2021. He has been the vice president of Yaobai International Holding Limited (formerly known as West International Holding Limited) since January 2022. Prior to joining our Group, Mr. Chu served as accountant of Shaanxi Import and Export Corporation (陝西省進出口公司) from October 1999 to July 2002; chief financial officer of Sino-Bangladesh Ceramic Industry Co., Ltd. (中孟陶瓷工業有限公司) from November 2002 to October 2007; finance manager of Cooper Xi'an Fusegear Limited Company (庫柏西安熔斷器有限公司) from November 2007 to August 2008; finance manager of Xi'an Branch of IBM China Investment Co., Ltd (國際商業機器(中國)投資有限公司西安分公司) from September 2008 to October 2010; and deputy finance director of Fuping Branch of Italcementi Group (義大利水泥集團富平分公司) from October 2010 to June 2012.

Mr. Chu is a member of the Association of Chartered Certified Accountants.

Ms. Wang Rui (王蕊), aged 46, was appointed as executive director of our Company on April 16, 2024. She is the deputy general manager and Party secretary of the general branch of the Yaobai Special Cement Group. She is also a member of the nomination committee of our Company. She has held the position since January 2023 and is primarily responsible for overseeing the market management,

procurement, logistics, and other operations of the Yaobai Special Cement Group. Ms. Wang obtained a master's degree in business administration from the University of Management and Technology in June 2018.

Ms. Wang joined our Group in December 1998 and held several positions, including: (i) manager of general administration of Pucheng Yaobai from December 1998 to December 2006; (ii) assistant general manager of Xi'an Lantian Yaobai Cement Co., Ltd. (西安藍田堯柏水泥有限公司) from January 2007 to August 2008; (iii) assistant general manager of Xi'an Yaobai Material Co., Ltd. (西安市堯柏物資有限公司) (the "Yaobai Material") from January 2007 to August 2008; (iv) chief administration officer of Yaobai Special Cement Group from July 2009 to June 2010; (v) deputy general manager of sales department of Yaobai Special Cement Group from July 2010 to September 2010; (vi) general manager of Yaobai Material from October 2010 to January 2015; (vii) vice president of Yaobai Special Cement Group from January 2018 to December 2019; and (viii) the chief executive officer of the Yaobai Special Cement Group from January 2020 to December 2022.

Ms. Wang has won several awards, such as being recognized as a Highlevel Talent in Xi'an (西安市高層次人才), Outstanding Communist Party Member of the Ministry of Industry and Information of Shaanxi Province (陝西省工信廳中共優秀共產黨員), and Outstanding Entrepreneur of National Building Material Industry (全國建材行業優秀企業家).

Non-executive Directors

Mr. Ma Zhaoyang (馬朝陽), aged 56, was appointed a non-executive director of our Company on July 29, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University (西北工業大學) in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with our Company in respect of the overall strategic planning and operation of our business. Mr. Ma has been the chairman and executive director of International Cement Group Ltd., a company listed on the main board of the Singapore Exchange, since November 2015.

Mr. Wang Zhixin (汪志新), aged 51, was appointed as a non-executive director of our Company on January 10, 2024. Mr. Wang graduated with a bachelor's degree in inorganic non-metallic materials from Wuhan University of Technology (武漢理工大學) in June 2014.

Mr. Wang has extensive experience in cement production management and external communication. From June 2004 to July 2014, he held various key positions at Anhui Huaining Conch Cement Co., Ltd. (安徽懷寧海螺水泥有限公司) ("Anhui Huaining Conch"), including (i) assistant to the factory director of the manufacturing branch from June 2004 to January 2006; (ii) deputy factory director of the manufacturing branch from February 2006 to March 2008; (iii) factory director of the manufacturing branch from March 2008 to June 2009; (iv) assistant to general manager from June 2009 to February 2011; and (v) deputy general manager from February 2011 to July 2014. From July 2014 to August 2020, Mr. Wang held two positions in Baoji Zhongxi Jinlinghe Cement Co., Ltd. (寶雞市眾喜金陵河水泥有限公司), including (i) executive deputy general manager from July 2014 to December 2015; and (ii) general manager from December 2015 to August 2020. From August 2020 to April 2023, Mr. Wang served as deputy director of the Shaanxi-Gansu Regional Committee of Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司) (a dual listed company with shares traded on the Hong Kong Stock Exchange ("SEHK") and the Shanghai Stock Exchange) (the "Conch Cement"), general manager of Pingliang Conch Cement Co., Ltd. (平涼海螺水泥有限責任公司) and Secretary of the Party Committee and general manager of Hami Hongyi Building Materials Co., Ltd. (哈密弘毅建材有限責任公司). Mr. Wang has been the executive president of Shaanxi-Gansu Region of Conch Cement since October 2021.

Mr. Wang Manbo (汪滿波), aged 44 was appointed as a non-executive director of our Company on May 27, 2025. Mr. Wang graduated with a bachelor's degree in accounting from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Institute of Finance and Trade (安徽財貿學院)) in the PRC. Mr. Wang is a senior accountant with extensive experience in financial management and corporate governance.

Mr. Wang has held various key financial and management positions at subsidiaries of Conch Cement, including: (i) from assistant director, deputy director and to the last position as director of the finance department of Anhui Huaining Conch from July 2003 to July 2008, (ii) director of the finance department of Dazhou Conch Cement Co., Ltd. (達州海螺水泥有限責任公司) from August 2008 to May 2010, (iii) director of Guangyuan Conch Cement Co., Ltd. (廣元海螺水泥有限責任公司) from June

2010 to July 2010; (iv) from director of the finance department to his last position as the deputy chief accountant of Chongqing Conch Cement Co., Ltd. (重慶海螺水泥有限責任公司) from August 2010 to April 2017; (v) chief accountant of Hunan Conch Cement Co., Ltd. (湖南海螺水泥有限公司) from May 2017 to June 2022; and (vi) deputy general manager of Hunan Haizhong Trading Co., Ltd. (湖南海中貿易有限責任公司) from May 2019 to June 2022.

Mr. Wang currently serves as the executive deputy director of the board secretary office and securities affairs representative of Conch Cement.

Independent non-executive Directors

Mr. Lee Kong Wai Conway (李港衛), aged 70, was appointed an independent non-executive director of our Company on July 29, 2010 and further designated as the lead independent non-executive director of our Company on March 24, 2025. Mr. Lee serves as chairman of the audit committee of our Company and a member each of the remuneration committee and nomination committee of our Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of our Group and providing independent advice to the Board on various financial and corporate governance matters.

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

Mr. Lee also serves as an independent non-executive director of Chaowei Power Holdings Limited since June 2010, China Modern Dairy Holdings Limited since late October 2010, GCL New Energy Holdings Limited since May 2014, and NVC International Holdings Limited since late November 2012, all of which are companies listed on the main board of the SEHK. Since March 2023, Mr. Lee also serves as an independent non-executive director of Intchains Group Limited, a company listed on the NASDAQ. He was also an independent non-executive director of GOME Retail Holdings Limited from March 2011 to late September 2023 and Guotai Haitong Securities Co., Ltd. from October 2016 to late November 2023, both of which were companies listed on the mainboard of SEHK. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to December 2017.

Mr. Tam King Ching Kenny (譚競正), aged 75, was appointed an independent non-executive director of our Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of our Company and also the member of each of the audit committee and nomination committee of our Company. He is mainly responsible for overseeing the policy and structure of the remuneration for directors and senior management of our Company. He is also responsible for monitoring our Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam was a past member of the Restructuring and Insolvency Faculty Executive Committee in the Hong Kong Institute of Certified Public Accountants. He was also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam has also served as an independent non-executive director of other companies listed on the main board of the SEHK, namely, Capital Industrial Financial Services Group Limited and Starlite Holdings Limited, since February 1996 and July 2004, respectively. He was also an independent non-executive director of CCT Fortis Holdings Limited, GBA Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited, Kingmaker Footwear Holdings Limited, BeijingWest Industries International Limited and Wisdom Education International Holdings Company Limited, all being companies listed on the mainboard of the SEHK from December 1999 to June 2022, from February 2016 to September 2022, from September 2004 to August 2023, from May 1994 to August 2024, from January 2014 to July 2024 and from January 2017 to May 2024, respectively.

Mr. Zhu Dong (朱東), aged 63, was appointed an independent non-executive director of our Company on July 15, 2019. Mr. Zhu serves as a member of the audit committee and remuneration committee of our Company.

Mr. Zhu graduated in 1982 from Guangxi University with a bachelor degree in mechanical engineering and he finished a program of Master of Business Administration held by Tsinghua University in 1996. Mr. Zhu has approximately 30 years of experience in capital markets and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. From August 1982 to November 1992, Mr. Zhu worked at various departments in the PRC government. He served as a senior manager at the Peregrine Investment Group from May 1994 to May 1998. He was the managing director at the BMP Paribas Capital (Asia Pacific) Limited from May 1998 to July 2011. From September 2011 to May 2016, he was the managing director of Nomura International (Hong Kong) Limited. Mr. Zhu was an independent non-executive director of HPC Holdings Limited, a company listed on the SEHK from late January 2017 to April 2024.

Mr. Feng Tao (馮濤), aged 68, was appointed as an independent non-executive director of our Company on February 28, 2023. Mr. Feng serves as a member of the audit committee of our Company. Mr. Feng graduated with a bachelor's degree in geophysics from Chang'an University (長安大學) (formerly known as Xi'an Institute of Technology 西安工程學院) in June 1982 and a doctorate degree in economics from Xi'an Jiaotong University (西安交通大學) (formerly known as Shaanxi Institute of Finance & Economics 陝西財經學院) in June 1997.

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

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

Mr. Lau Ka Keung (樓家強) aged 49, was appointed as an independent non-executive director of our Company on March 24, 2025 and also serves as a member of the audit committee of our Company. Mr. Lau received his bachelor's degree in information technology from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008.

Mr. Lau possesses more than 20 years of experience in business management. From August 2015 to April 2018, he served as a non-executive director at Nameson Holdings Limited, a company listed on the main board of the SEHK. Since August 2016, Mr. Lau has been serving as an executive director and the chief executive officer of Million Cities Holdings Limited, a company listed on the main board of the SEHK. In addition, he has been serving as independent non-executive director of two other companies listed on the main board of the SEHK, namely OrbusNeich Medical Group Holdings Limited since late September 2021 and Tianjin Development Holdings Limited since late March 2023. In public service, Mr. Lau is currently a delegate of the Hong Kong Special Administrative Region to the 14th National People's Congress of the People's Republic of China (中華人民共和國香港特別行政區第十四屆全國人民代表大會), a member of the 13th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆全國委員會), the chairman of the 28th Hong Kong United Youth Association (香港青年聯會) and the vice chairman of Joint Committee for the Promotion of the Basic Law of Hong Kong (香港基本法推介聯席會議).

SENIOR MANAGEMENT

The following table sets forth certain information concerning our other senior management members.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Chan King Sau	47	Financial Controller and Company Secretary

Mr. Chan King Sau (陳競修), aged 47, joined our Company on June 1, 2010. Mr. Chan was an assistant financial controller of our Company before being appointed as chief financial officer of our Company. He was also appointed as the company secretary of our Company since June 2012. In January 2020, Mr. Chan was designated as the financial controller of our Company. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from the University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. Chan King Sau is the company secretary of our Company. Please refer to his biography under the paragraph headed “— Senior Management” above.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix C1 the Listing Rules. The audit committee currently consists of five independent non-executive directors, being Mr. Lee Kong Wai Conway, Mr. Zhu Dong, Mr. Tam King Ching Kenny, Mr. Feng Tao and Mr. Lau Ka Keung with Mr. Lee Kong Wai Conway serving as chairman of the audit committee. Mr. Lee Kong Wai Conway has the appropriate professional qualification as set out in Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are to assist our board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by our board.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix C1 to the Listing Rules. The remuneration committee currently consists of three independent non-executive directors, being Mr. Tam King Ching Kenny, Mr. Zhu Dong and Mr. Lee Kong Wai Conway and one executive director, being Mr. Zhang, with Mr. Tam King Ching Kenny serving as chairman of the remuneration committee.

The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for directors and senior management and to approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix C1 to the Listing Rules. The nomination committee currently consists of two independent non-executive directors, being Mr. Lee Kong Wai Conway and Mr. Tam King Ching Kenny, and two executive directors, being Mr. Zhang and Mr. Wang Rui, with Mr. Zhang Jimin serving as chairman of the nomination committee.

The primary functions of the nomination committee are to make recommendations to our board regarding the appointment of members of our board, to review the structure, size and composition (including skills, knowledge and experience) of our board and to assist our board in maintaining a broad skill matrix.

COMPENSATION OF DIRECTORS AND MANAGEMENT

We have established a remuneration committee to determine the remuneration of our directors and senior management from time to time. Our remuneration policy is to provide remuneration packages, in terms of basic salary, short term bonuses and long-term rewards such as options, so as to attract and retain top quality staff. Our remuneration committee reviews such packages annually, or when the occasion requires. Our executive directors, who are also our employees, receive compensation in the form of salaries, bonuses and other allowances. The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which we paid to our directors for the years ended December 31, 2022, 2023 and 2024 were approximately RMB9.5 million, RMB13.9 million, and RMB10.5 million (US\$1.5) million), respectively.

The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to the five highest paid individuals, including our directors, during the years ended December 31, 2022, 2023 and 2024 were approximately RMB13.3 million, RMB11.5 million and RMB8.0 million (US\$1.1 million), respectively.

We paid no remuneration to our directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office, in respect of the years ended December 31, 2022, 2023 and 2024. Further, none of our directors had waived any remuneration during the same period.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect of the years ended December 31, 2022, 2023 and 2024, by us or any of our subsidiaries to our directors, and no payments were made during the years ended December 31, 2022, 2023 and 2024 by us to any of our directors as an inducement to join or upon joining us.

PRINCIPAL SHAREHOLDERS

The Company is incorporated in Jersey and is listed on the SEHK. As of June 30, 2025, according to the register we maintain in accordance with Section 336 of the Securities and Futures Ordinance, the following parties were directly or indirectly interested in 5% or more of our issued share capital.

Name	Nature of interest	Number of shares held ⁽¹⁾	Percentage of shareholding in our Company ⁽⁴⁾
Asia Gain ⁽²⁾	Beneficial owner	1,756,469,900 (L)	32.15%
Zhang Jimin ⁽²⁾	Interest in a controlled corporation	1,756,469,900 (L)	32.15%
	Beneficial owner	6,175,000 (L)	0.11%
Conch International Holdings (HK) Limited (“Conch”) ⁽³⁾	Beneficial owner	1,584,849,970 (L)	29.01%
Conch Cement ⁽³⁾	Beneficial owner	1,584,849,970 (L)	29.01%
Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司) (“Conch Holdings”) ⁽³⁾	Interest in a controlled corporation	1,584,849,970 (L)	29.01%
Wuhu Conch Venture Enterprise Limited (蕪湖海創實業有限責任 公司) (“Wuhu Conch”) ⁽³⁾	Interest in a controlled corporation	1,584,849,970 (L)	29.01%
China Conch Venture Holdings Limited (“China Conch”) ⁽³⁾	Interest in a controlled corporation	1,584,849,970 (L)	29.01%

Notes:

- (1) The letter “L” denotes the person’s long position in such.
- (2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.
- (3) Conch is beneficially and wholly-owned by Conch Cement, which is owned as to 36.40% by Conch Holdings. Conch Holdings was owned as to approximately 49.00% by Wuhu Conch. Wuhu Conch is wholly-owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. (安徽海創新型節能建築材料有限責任公司), which is in turn wholly-owned by China Conch Venture Holdings (HK) Limited (“Conch Venture HK”). Conch Venture HK was ultimately wholly-owned by China Conch.
- (4) The calculation is based on the total number of 5,462,532,820 issued shares of our Company as at June 30, 2025.

RELATED PARTY TRANSACTIONS

Except as disclosed in this section, we did not have any other material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2024 and the six months ended June 30, 2024 and 2025. Each of our related party transactions was entered into on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

During the years ended December 31 2023 and 2024 and the six months ended 30 June, 2025, we entered into lease agreement relating to the lease of certain of our vehicles and collected rental income from our related party. In addition, we entered into an arrangement with our related party for transportation services.

The table below sets forth the amounts of transactions we have entered into with related parties and the compensation that we paid to our key management (including executive and non-executive directors of the Company and our senior management) for the periods indicated below.

	For the year ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Related party transactions							
Rental income	—	8,005	25,755	3,595	3,130	22,706	3,170
Transportation services provided to the Group. . . .	—	16,393	44,466	6,207	1,410	19,614	2,738
Compensation to key management							
Salaries and other short-term employee benefits ⁽¹⁾	16,378	15,035	11,614	1,621	5,623	5,433	758
Post-employment benefits	111	120	148	21	77	83	12
Total	16,489	15,155	11,762	1,642	5,700	5,516	770

Note:

(1) Comprises (i) Salaries and allowances and (ii) Performance-related bonus.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing business operations and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of June 30, 2025, our total borrowings amounted to RMB11,704.4 million (US\$1,633.9 million), which includes outstanding bank borrowings of RMB7,307.0 million (US\$1,020.0 million) and Senior Notes in the amount of RMB4,397.5 million (US\$613.9 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

LOAN AGREEMENTS

Bilateral and Syndicated Bank Loan Agreements

Certain of our PRC subsidiaries entered into bilateral loan agreements with a number of PRC-incorporated banks, including but not limited to, the Agricultural Bank of China (collectively, the “ABC Loans”), the Bank of China (the “BOC Loan”), the CITIC Bank (the “CITIC Loan”), the China Minsheng Bank (collectively, the “CMB Loans”), the China Guangfa Bank (the “CGB Loans”) and the Bank of Chengdu (the “BOCD Loan” and together with other loans such as ABC Loans and BOX Loans, the “Onshore Loans”). These loans are typically used to satisfy our working capital requirements and are typically repayable within six months to one year.

In our overseas market, certain of our subsidiaries also entered into bilateral or syndicated loan agreements with banks in some jurisdictions where our oversea subsidiaries operate, including but not limited to, Trust Merchant Bank SA and KCB Bank Kenya Limited (the “GLC Loan”), the Standard Bank of South Africa Limited (the “Standard Bank Loan”) and the Development Bank of Ethiopia (the “DBE Loan” and together with other loans such as GLC Loan and Standard Bank Loan, the “Offshore Loans”). These Offshore Loans are typically used in our construction projects in different jurisdictions and are repayable from 2 to 15 years.

Interest

All of our Onshore Loans are denominated in Renminbi while our Offshore Loan are mostly denominated in the currency of the respective jurisdictions. Some of our borrowings bear a floating rate interest calculated by reference to one-year LPR and SOFR. Interest payments are payable monthly or quarterly and must be made on each payment date as provided in the loan agreements. Any overdue amount will be subject to a penalty interest accruing from the due date up to the date of actual payment. Any portion of the Onshore Loans which is not used for the prescribed purpose will be subject to a penalty interest at a rate of 20% to 100% above the agreed interest rate. Please refer to Note 31 to our consolidated financial statements for the year ended December 31, 2024 included elsewhere in this Offering Memorandum for the interest rates of our bank borrowings.

Covenants

In respect of the Onshore Loans and Offshore Loans entered into by our subsidiaries, we have agreed, among other things, not to take certain actions without first notifying the lender and/or obtaining the lenders’ prior consent. Such actions include, but are not limited to, the following:

- creating encumbrances on any part of properties or assets or deal with assets in a way that may adversely affect its ability to repay its loans;
- granting guarantees to any third parties that may adversely affect its ability to repay its loans;
- applying for bankruptcy, liquidation and dissolution proceedings;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loan;
- changing its capital structure;
- conducting foreign investment;
- materially increasing its indebtedness; and
- other major corporate actions such as mergers, divisions, and transfer of shares.

Guarantee and security

Certain of our subsidiaries have entered into guarantee and security agreements with the lenders in connection with the borrowings, pursuant to which the subsidiaries and in certain circumstances, together with our other subsidiaries, have provided guarantees and security, including land use rights and fixed assets such as plant and equipment of such subsidiaries or our other subsidiaries.

4.95% SENIOR NOTES DUE 2026

In July 2026, we issued the 2026 Notes, guaranteed by the subsidiary guarantors. The 2026 Notes are senior obligations of the Company and rank at least *pari passu* in right of payment with all of our other unsecured, unsubordinated indebtedness, subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law. As of the date of this Offering Memorandum, we had a total of US\$600 million in aggregate principal amount of the 2026 Notes outstanding. Concurrently with the offering of the Notes, we are also making a tender offer to purchase the 2026 Notes and we plan to use the net proceeds of this offering, to repurchase the 2026 Notes tendered and accepted by us. See “Use of Proceeds.”

Interest

The 2026 Notes bear interest at 4.95% annually, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2026 Notes restrict the ability of the Issuer and the ability of its subsidiaries which are restricted subsidiaries to, among other things:

- incur or guarantee certain additional indebtedness and issue certain preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments and other specified restricted payments;
- issue or sell the capital stock of restricted subsidiaries;
- guarantee indebtedness of the Company or the restricted subsidiaries;
- enter into transactions with shareholders or affiliates of the Issuer;
- create liens;
- enter sale and leaseback transactions; and
- sell assets.

Events of Default

The 2026 Notes contain customary events of default, including a default in the payment of principal when due, default in payment of interest that continues for 30 days, and other events of default similar to those to be set forth in the indenture governing the Notes being offered in this offering. If an event of default (other than an event of default relating to certain bankruptcy events) occurs and is continuing, the trustee for the 2026 Notes or the holders of at least 25% in aggregate principal amount of the 2026 Notes then outstanding, by written notice to the Issuer (and to the trustee for the 2026 Notes if such notice is given by such holders), may declare the principal of the 2026 Notes to be immediately due and payable. If an event of default relating to certain bankruptcy events occurs, the principal of the 2026 Notes will automatically become immediately due and payable.

Change of Control

Not later than 30 days following the occurrence of certain events of change of control and a rating decline, the Issuer is required to make an offer to repurchase all of the 2026 Notes outstanding at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2026 Notes is July 8, 2026. At any time on or after July 8, 2024, we may redeem the 2026 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to (but not including) the redemption date:

<u>Period</u>	<u>Redemption Price</u>
2024	102.475%
2025 and thereafter	101.238%

Additionally, if the Issuer becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Issuer may redeem the 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to West China Cement Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that Guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, and The Hongkong and Shanghai Banking Corporation Limited, as trustee (the “Trustee”, which expression shall include any successor trustee).

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available upon prior written request and satisfactory proof of holding and identity during usual business hours (being 9.00 a.m. to 3.00 p.m. (local time) Monday to Friday, excluding public holidays) for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at Level 26, HSBC Main Building, 1 Queen’s Road Central, Hong Kong; facsimile: +852 3478 9198; attention: Issuer Services or electronically via email from the Trustee. Holders of the Notes are deemed to have notice of, and are bound by, all the provisions of the Indenture and the Subsidiary Guarantees applicable to them.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “— The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees;”
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below); and
- effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors to the extent of the value of the collateral securing such obligations.

The Notes will mature on December 4, 2028, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 9.90% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on June 4 and December 4 of each year (each an “Interest Payment Date”), commencing June 4, 2026. Interest on the Notes will be paid to Holders of record at the close of business on May 20 or November 19 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Notes register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under “Optional Redemption,” “Redemption for Taxation Reasons” or otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

In any case in which the date of the payment of principal of, premium (if any) on, or interest on, the Notes is not a Business Day, then payment of principal, premium (if any) or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company and the Paying Agent may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at Level 26, HSBC Main Building, 1 Queen’s Road Central, Hong Kong; facsimile: +852 3478 9198), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, if the Notes are in certificated form and the Company is acting as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of certain of the Company’s Restricted Subsidiaries incorporated outside the PRC. The initial Subsidiary Guarantors will be WC Cement Limited (British Virgin Islands), Faithful Alliance Limited (Hong Kong), Yaobai International Holding Limited (formerly known as West International Holding Limited) (Hong Kong), Great Lakes Cement SAS (DR Congo), Hong Xing Glass Congo SARL (Republic of Congo), WIH Rwanda Cement Co., Ltd. (Rwanda) and Anjia Construction SARLU (DR Congo). Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC (the “PRC Subsidiaries”) will provide a Subsidiary Guarantee, subject to the covenant under “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”. In addition, none of the existing or future Exempted Subsidiaries, Listed Subsidiaries or Excluded Subsidiary will provide a Subsidiary Guarantee at any time in the future; *provided* that the Company will cause each Restricted Subsidiary that ceases to be an Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary, as soon as practicable and in any event within 90 days after it ceases to be an Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes.

The Company will cause each of its future Restricted Subsidiaries (other than the PRC Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Excluded Subsidiaries) promptly and in any event within 90 days of becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as a Subsidiary Guarantor. Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Notwithstanding the foregoing, the Company may designate any Offshore Restricted Subsidiary (including those Offshore Restricted Subsidiaries not providing Subsidiary Guarantees on the Original Issue Date, but excluding any Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary) as a Designated Offshore Non-Guarantor Subsidiary (each, a “Designated Offshore Non-Guarantor Subsidiary”, and collectively, “Designated Offshore Non-Guarantor Subsidiaries”), subject to the limitations described below. For the avoidance of doubt, other than the initial Subsidiary Guarantors, each of the Company’s Offshore Restricted Subsidiaries existing on the Original Issue Date (excluding any Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary) is a Designated Offshore Non-Guarantor Subsidiary.

An Offshore Restricted Subsidiary need not provide a Subsidiary Guarantee if it is designated by the Company as a Designated Offshore Non-Guarantor Subsidiary. The Company may designate any Offshore Restricted Subsidiary to be a Designated Offshore Non-Guarantor Subsidiary, *provided that*, after giving effect to the consolidated assets of such Offshore Restricted Subsidiary:

- (1) at any time of determination, the total Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (excluding for this purpose the consolidated assets of all Exempted Subsidiaries, Listed Subsidiaries or Excluded Subsidiaries as of the date of calculation); and
- (2) such designation would not cause a Default.

The Company may at any time remove the designation of any Offshore Non-Guarantor Subsidiary as such, and unless such Offshore Restricted Subsidiary is designated an Unrestricted Subsidiary, it will become a Subsidiary Guarantor and execute a supplemental indenture pursuant to which it will guarantee the Notes under a Subsidiary Guarantee in accordance with the provisions of the Indenture, within 90 days of the date on which its designation as an Offshore Non-Guarantor Subsidiary was removed.

If, at any time, the Relevant Non-Guaranteed Portion exceeds 15% of Total Assets (calculated as provided above), the Company must remove the designation of one or more Designated Offshore Non-Guarantor Subsidiaries and cause such Offshore Restricted Subsidiaries to provide a Subsidiary Guarantee such that the Relevant Non-Guaranteed Portion would not exceed 15% of Total Assets (calculated as provided above). This removal of designation must be made within 90 days from the date when the consolidated financial statements of the Company for the most recent semi-annual period (which the Company must use its reasonable best efforts to compile on a timely basis) become available.

As of June 30, 2025,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated indebtedness of approximately RMB7,307.0 million (US\$1,020.0 million), of which RMB4,923.3 million (US\$687.3 million) was secured; and
- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB6,014.3 million (US\$839.6 million).

In addition, as of June 30, 2025, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB2,622.5 million (US\$366.1 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to all secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for all unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees — The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge" or satisfaction and discharge as described under "— Satisfaction and Discharge;"
- in the case of a Subsidiary Guarantor that becomes, or is designated by the Company as, a Non-Guarantor Subsidiary or an Unrestricted Subsidiary, in compliance with the terms of the Indenture; or
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary;
- as described under "— Amendments and Waivers."

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under the “Limitation on Indebtedness” covenant described below and the other provisions of the Indenture.

Optional Redemption

On or after December 4, 2027, the Company may on any one or more occasions redeem all or any part of the Notes, at a redemption price equal to 104.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the date of redemption.

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to December 4, 2027, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to December 4, 2027, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 109.90% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time on or after the date when no more than 10% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Company will give not less than 10 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed and/or the requirements of the clearing system; or
- (2) if the Notes are not listed on any securities exchange and not held through a clearing system, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

In connection with any redemption of Notes referred to in the preceding paragraphs, any such notice of redemption may, at the Company’s discretion, be subject to the satisfaction of one or more conditions precedent.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of “Offer to Purchase”).

Notwithstanding the foregoing, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Existing and future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — The Company may not be able to repurchase the Notes upon a Change of Control Triggering Event.” The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Open Market Purchases

The Company or any of its Affiliates may from time to time purchase Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture; *provided* that all Notes redeemed or repurchased by the Company or any of its Affiliates may not be reissued or resold.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the “Relevant Jurisdictions”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the domestic tax laws of a Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere;
 - (d) any tax, assessment, withholding or deduction required by section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or published in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

- (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) or (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will furnish to the Holders and the Paying Agent, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to the first date on which any payment under or with respect to the Notes is due and payable (unless the obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case, immediately after such obligation to pay arises), and either the Company, a Surviving Person or any Subsidiary Guarantor becomes obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts to be paid and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date. The Company will deliver to the Trustee an Officers' Certificate 30 days prior to any subsequent payment date if there has been a change in the matters set forth in the previously furnished certificate (unless the change occurred after the 30th day prior to such subsequent payment date, in which case, immediately after such change occurs).

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or a Surviving Person,

with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Company or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable PRC Rate or less, solely as a result of the Company or a Surviving Person being considered a PRC tax resident under the Enterprise Income Tax Law.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment or stating of an official position referred to in this section entitled "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment or stating of an official position referred to in this section entitled "Redemption for Taxation Reasons".

The Trustee shall be entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), *provided* that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.5 to 1.0.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (2) Notwithstanding the foregoing, the Company and to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;
 - (b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c); provided that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded from the definition of Permitted Subsidiary Indebtedness);

- (c) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and the Company is not the obligee), such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;
- (d) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the proviso in paragraph (1) above or clauses (a), (b), (f), (k), (n) or (p) of paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor and (iv) none of the conditions in (i), (ii) and (iii) above shall apply to any Permitted Refinancing Indebtedness incurred to fully refinance the Notes;
- (e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business;
- (f) any *Pari Passu* Guarantee;
- (g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided* that this Indebtedness is extinguished within five Business Days;
- (h) Indebtedness of the Company or any Restricted Subsidiary in respect of workers’ compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;
- (i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in each case Incurred or assumed in connection with the disposition of any

business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided* that the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

- (j) obligations with respect to trade letters of credit or trade guarantees, performance and surety bonds, completion guarantees and similar instruments provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee;
- (k) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business:
 - (i) representing Capitalized Lease Obligations; or
 - (ii) constituting purchase money Indebtedness incurred to finance (1) all or any part of the purchase price of real or personal property, assets or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property, assets or equipment which will, upon such acquisition, become a Restricted Subsidiary or (2) all or any part of the cost of development, construction or improvement of real or personal property, assets or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary;

provided that (A) the net proceeds of such purchase money Indebtedness shall not exceed the purchase price of such real or personal property, assets or equipment so acquired or the cost of such development, construction or improvement, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (k) (together with any refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred under clause (q) below and the refinancings thereof) does not exceed an amount equal to 20% of Total Assets;

- (l) (i) guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non-Guarantor Subsidiary; (ii) guarantees by the Company and the Subsidiary Guarantors of each other's Indebtedness or (iii) guarantees by the Company and the Subsidiary Guarantors of Indebtedness of Non-Guarantor Subsidiaries; *provided, however*, in the case of each of (i), (ii) and (iii) that the Indebtedness guaranteed is permitted to be Incurred under the Indenture;
- (m) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiaries in order to in effect exchange Renminbi into U.S. dollars or Hong Kong dollars; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (2)(m) (together with any refinancings thereof) does not exceed an amount equal to 5.0% of Total Assets;
- (n) Indebtedness of the Company or any Restricted Subsidiary maturing in one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that on the date of the Incurrence of any Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n) (together with any refinancings thereof) does not exceed an amount equal to 10% of Total Assets;

- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
 - (p) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US\$30 million (or the Dollar Equivalent thereof); and
 - (q) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided*, that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness under clause (k)(ii) above and the refinancings thereof) does not exceed an amount equal to 20% of Total Assets.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness under this “*Limitation on Indebtedness and Preferred Stock*” covenant, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant shall not be deemed to be exceeded with respect to any outstanding Indebtedness solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of the Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment; if, at the time of, and after giving effect to, the proposed Restricted Payment:
 - (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
 - (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under “— Limitation on Indebtedness”; or
 - (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Measurement Date, shall exceed the sum (without duplication) of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2021 and ending on the last day of the Company’s most recently ended semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available; plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus
 - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment

made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) the amount of deposit paid in cash, which was treated as a Restricted Payment when made, in connection with an acquisition of any Person upon such Person becoming a Restricted Subsidiary; plus

(vi) US\$20 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be incurred pursuant to the covenant described under “— Limitation on Indebtedness” and that in each case constitutes Permitted Refinancing Indebtedness; *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c) of the preceding paragraph;
- (6) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (7) the repurchase, redemption or other acquisition of Capital Stock of the Company from employees, former employees, directors or former directors of the Company or any Restricted Subsidiary (or their estate or authorized representatives) upon the death, disability or termination of employment of such employees or directors pursuant to

agreements or plans (including employment agreements and share option plans) approved by the board of directors of the Company in an aggregate amount not to exceed US\$1 million (or the Dollar Equivalent thereof) in any fiscal year of the Company;

- (8) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (9) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for the Capital Stock of the Company;
- (10) the acquisition of the Capital Stock of a Restricted Subsidiary held by a minority shareholder which acquisition increases the proportion of the Capital Stock of such Restricted Subsidiary held, directly or indirectly, by the Company;
- (11) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person, *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the “Deadline Date”); *provided* further that in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (10) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this “Limitations on Restricted Payments” covenant;
- (12) the declaration and payment of dividends by the Company with respect to any financial year up to an aggregate amount not to exceed 30% of the Company’s consolidated net profit in such financial year, *provided* that the conditions of clauses (a) and (c) of the first paragraph of this “Limitation on Restricted Payments” covenant would not be violated as a consequence of such declaration and payment of dividends; or
- (13) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (13), not to exceed US\$10.0 million (or the Dollar Equivalent thereof) since the Original Issue Date;

provided that, in the case of clauses (2), (3) and (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clause (1) and (12) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (1) or (6) to (12) of the second paragraph of this “— Limitation on Restricted Payments” covenant) in excess of US\$15 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture or Pari Passu Guarantee, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness” and “— Limitation on Asset Sales” covenants;
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (2)(d), (k) or (q) of the “— Limitation on Indebtedness” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or

replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (g) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;
- (h) existing in customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business, to the extent such encumbrance or restriction relates to the activities or assets of a party to such joint venture and if, as determined by the Board of Directors, (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make the required payments on the Notes or the ability of any Subsidiary Guarantor to make the required payment on the Subsidiary Guarantee; or
- (i) customary provisions contained in agreements evidencing Liens incurred in accordance with the “Limitation on Liens” covenant.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or in such proportions as would result in a greater percentage of ownership in such Restricted Subsidiary by the Company;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant to the extent required thereunder; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided* that the Company applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Non-Guarantor Subsidiary, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Company or any Subsidiary Guarantor, unless (1)(a) such Non-Guarantor Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Non-Guarantor Subsidiary and (b) such Non-Guarantor Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Non-Guarantor Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c) or (2)(m) (in the case of clause (2)(m), with respect to the Guarantee provided by any PRC Restricted Subsidiary through the pledge of one or more PRC bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness) under the “*Limitation on Indebtedness*” covenant.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Notes or the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Notes or the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described above under “— Limitation on Restricted Payments” if not prohibited by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

- (6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) of the second paragraph of the covenant described under the caption “*Limitation on Restricted Payments*,”
- (7) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Company or any of its Restricted Subsidiaries; provided that such agreement was not entered into in contemplation of such acquisition or merger.

The requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investment” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or renewal or replacement thereof, so long as such amendment, modification, renewal or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among the Company or a Wholly Owned Restricted Subsidiary on the one hand and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary on the other hand or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, and (iv) any Affiliated Transaction that is conducted in accordance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited; *provided that* (a) in the cases of clause (iii) and (iv), such transaction is entered into in the ordinary course of business and (b) in the case of clause (iii), none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor’s property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under “— Limitation on Indebtedness” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under “— Limitation on Liens,” in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$20 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.
- (4) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary, may apply such Net Cash Proceeds to:
 - (a) permanently repay unsubordinated Indebtedness of the Company or any Restricted Subsidiary (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
 - (b) develop or acquire Replacement Assets, *provided* that this clause (b) shall be satisfied if the Company or Restricted Subsidiary (i) enters into a definitive agreement committing to invest the relevant amount in Replacement Assets within 360 days of the receipt of such Net Cash Proceeds and (ii) actually invests such amount in Replacement Assets within 90 days after the 360 day period;

provided that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.
- (5) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (4) will constitute "Excess Proceeds." Excess Proceeds of less than US\$20 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$20 million (or the Dollar Equivalent thereof), within ten days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:
 - (a) accumulated Excess Proceeds, multiplied by

- (b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided* that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made under the “— Limitation on Restricted Payments” covenant.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (1) as specified under “Use of Proceeds” in this Offering Memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under “— Limitation on Indebtedness” or such Lien would violate the covenant described under “— Limitation on Liens”; (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “— Limitation on Indebtedness”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to

have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary will upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor, unless such Restricted Subsidiary is an Exempted Subsidiary, Listed Subsidiary or Excluded Subsidiary.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (x) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (y) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Subsidiary Guarantees on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on Business Activities;”
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (8) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third financial quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any Note remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual fiscal periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officers' Certificate setting forth the details of the Default or the Event of Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as “Events of Default” in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (3) default in the performance or breach of the provisions of the covenant described under “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under “— Repurchase of Notes upon a Change of Control Triggering Event” or “— Certain Covenants — Limitation on Asset Sales;”
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Company by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due after giving effect to any grace period for such payment;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary that is a Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any such Restricted Subsidiary or for any substantial part of the property and assets of the Company or any such Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any such Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Restricted Subsidiary that is a Significant Subsidiary, (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any such Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any such Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; or
- (9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary that is a Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Prior to complying with such direction, the Trustee shall be entitled to receive indemnification and/or security and/or pre-funding satisfactory to it in its sole discretion against any loss, liability or expense that may be incurred by complying with such direction.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any loss, liability or expense which may be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity and/or security and/or pre-funding pursuant to clause (3) above, whichever occurs later; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of such Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Jersey, Bermuda, the British Virgin Islands, the Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, either (i) shall have a Fixed Charge Coverage Ratio equal to or not lower than immediately prior to such transaction, or (ii) could Incur at least US\$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness;"
- (5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

- (1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture; and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company either (i) shall have a Fixed Charge Coverage Ratio equal to or not lower than immediately prior to such transaction, or (ii) could Incur at least US\$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness;” and
- (5) the Company shall deliver to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

provided that this paragraph shall not apply to any sale or other disposition that complies with the “Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Nothing in the Indenture will prevent any Restricted Subsidiary that is not a Subsidiary Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Company, a Subsidiary Guarantor or any other Restricted Subsidiary. The Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction in compliance with clause (1) of the first paragraph under this “— Consolidation, Merger and Sale of Assets” covenant or changing the legal form of the Company.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger. The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Subsidiary Guarantees in connection with an exchange or tender offer, the Company and any of its Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any of its Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case, as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;
- (2) the Company has delivered to the Trustee an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) the Company shall have delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that the provisions of the Indenture will no longer be in effect with respect to (i) clauses (3) and (4) under the first and second paragraphs under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “Events of Default with respect to such clauses (3) and (4) under the first and second paragraphs under “— Consolidation, Merger and Sale of Assets” and with respect to such other events set forth in such clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (5), (6), (7) and (8) under “— Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture may be amended, without the consent of any Holder:

- (1) to cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) to comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) to evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (8) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees;

- (9) to add collateral to secure the Notes or any Subsidiary Guarantee, including the sharing of collateral pursuant to the provisions described under “— Limitation on Liens,” or to enter into intercreditor agreement or amendments or supplements thereto;
- (10) to make any other change that does not adversely affect the rights of any Holder; or
- (11) to make any other change that would provide any additional rights or benefits to the Holders.

Amendments With Consent of Holders

Amendments of the Indenture may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (9) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;
- (11) change the redemption date or the redemption price of the Notes from that stated under “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders (for the avoidance of doubt, the Notes and the Subsidiary Guarantees will not be contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to the Notes issued thereunder, when:

- (1) either:
 - (a) all Notes theretofore authenticated and delivered, except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company, have been delivered to the Paying and Transfer Agent for cancellation; or
 - (b) all Notes not theretofore delivered to the Paying and Transfer Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee (or its agent) as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on Notes not theretofore delivered to the Paying and Transfer Agent for cancellation for principal, premium, if any, and accrued interest on the Notes to the date of maturity or redemption;
- (2) no Default or Event of Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) with respect to the Indenture or the Notes issued thereunder shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture or the Notes) to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes);
- (3) the Company has paid or caused to be paid all sums payable by it under the Indenture;
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited trust funds toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

The Hongkong and Shanghai Banking Corporation Limited is to be appointed as the Trustee under the Indenture, as registrar (the “Note Registrar”) and as paying and transfer agent (the “Paying Agent”, together with the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes, and no implied covenant or obligation shall be read into the Indenture, the Notes (as the case may be) against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless the requisite number of Holders have instructed the Trustee in writing in accordance with the provisions of the Indenture and offered to the Trustee indemnity, security and/or pre-funding satisfactory to the Trustee against any loss, liability or expense.

The Notes provide the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, secured and/or pre-funded to its satisfaction to its satisfaction. It may not be possible for the Trustee to take certain actions, whether in relation to the Notes, and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity, security and/or pre-funding to it, and it will be for the Holders to take such actions directly.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion, be contrary to any law of that jurisdiction, any directive or regulation of any agency of that jurisdiction or any other law applicable to the Trustee and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

Neither the Trustee nor any of the Agents shall be under any duty to monitor or take any steps to ascertain whether any event or circumstance has happened or exists in relation to a Default, Event of Default, redemption, change of control, asset sale or under the heading “— Certain Covenants” and shall assume that no such event has occurred until a Responsible Officer of the Trustee has received express written notice from the Company and shall not be liable to the Holders or any other person for any loss arising from any such assumption or failure to so monitor or take such steps to ascertain.

The Trustee and each of the Agents is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates. The Indenture contains limitations on the rights of the Trustee to obtain payment of claims as a creditor of the Company or any of the Subsidiary Guarantors in certain cases or to realize on certain property received by it in respect of any such claims, whether as security or otherwise.

The Trustee and the Agents shall be absolutely and conclusively entitled to rely on, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security or other paper or document believed by it to be genuine. The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted hereunder in good faith and in reliance thereon.

All calculations relating to the Notes shall be performed by the Company or any other person appointed by it for this purpose. None of the Trustee or the Agents shall be liable in any respect for the accuracy or inaccuracy in any calculation or formula under the Indenture or the Notes, whether by the Company, auditors or any other person so appointed by any of them for such purpose.

In connection with the exercise of its functions (including but not limited to those in relation to any modification, authorization or waiver), the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders, and no Holder shall be entitled to claim from the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such individual except as described under “— Additional Amounts”.

Each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of an investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee or any of the Agents in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company and the Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and additional amounts may be paid as described under “— Additional Amounts”.

Under the terms of the Indenture, the Company, any Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or any failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions".

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar or authenticating agent for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at Unit 3705, 37/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Hong Kong; (if intended for the Trustee) at the corporate trust office of the Trustee; and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, the City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after December 4, 2027, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person,

means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable PRC Rate” means (i) in the case of deduction or withholding of PRC income tax, 10%, (ii) in the case of deduction or withholding of PRC value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of both PRC income tax and PRC value added tax (including any related local levies), 16.72%.

“Applicable Premium” means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at December 4, 2027, plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through December 4, 2027, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary that is a Significant Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary that is a Significant Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under “— Certain Covenants — Limitation on Restricted Payments;”
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$2 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien or any other Lien not prohibited by the covenant under the caption “— Limitation on Liens”;
- (6) a transaction covered by the covenant described under “— Consolidation, Merger and Sale of Assets;”
- (7) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;
- (8) a sale or other disposition of cash or Temporary Cash Investments;
- (9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of any factoring or similar arrangements;

- (10) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (11) any transfer, termination, unwinding or other disposition of Hedging Obligations;
- (12) transfers resulting from any casualty or condemnation of property; and
- (13) any sale, transfer or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between joint venture parties set forth in joint venture arrangements or similar binding arrangements; *provided* that (i) the consideration received by the Company or any Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold, transferred or disposed of; and (ii) any Net Cash Proceeds from any such sale, transfer or other disposition shall be applied in accordance with the covenant described under the caption “Limitation on Asset Sales.”

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”)), other than one or more Permitted Holders;

- (2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance);
- (3) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act) of less than 25% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group”(as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner”(as defined above), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking, S.A.

“Commodity Hedging Agreement” means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to December 4, 2027 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to December 4, 2027.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated EBITDA” means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or

any of the Restricted Subsidiaries; and (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Restricted Subsidiaries held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or dividend paid to the Company or to a Wholly-Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any Person (the “Subject Person”) for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;

- (5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Currency Hedging Agreement” means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event..”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Company other than to Affiliates of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Company beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Company at the same price as the public offering or private placing price; *provided* that (i) the aggregate gross cash proceeds received by

the Company as a result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Company or any of its Subsidiaries) shall be no less than US\$25 million (or the Dollar Equivalent thereof) and (ii) any such offering shall result in such Capital Stock being listed and eligible for dealing on the Stock Exchange of Hong Kong Limited.

“Euroclear” means Euroclear Bank SA/NV.

“Excluded Subsidiary” means any Offshore Restricted Subsidiary (i) with no less than 10% of its Capital Stock owned by one or more Independent Third Parties and (ii) in respect of which the Company could not, upon using commercially reasonable efforts (which will not involve any payment of any consideration), obtain the agreement or support from such Independent Third Parties for the giving of a Subsidiary Guarantee by such Restricted Subsidiary.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law, rule or regulation to provide a Subsidiary Guarantee; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-Annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

- (e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the two full semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means International Financial Reporting Standards issued by the International Accounting Standards Board as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Disqualified Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, “Indebtedness” shall not include any Entrusted Loans, any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or any contingent obligations to refund payments (including deposits) to customers (or any guarantee thereof) in connection with mandatory obligations under or pending completion of a customer contract, in each case, entered into in the ordinary course of business and in accordance with customary market practice; *provided* that, in each case, such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph (2)(e) under the “Limitation on Indebtedness” covenant, and (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Interest Rate Hedging Agreement” means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payments”: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA,” “AA,” “A,” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody’s, S&P or Fitch or any of them, as the case may be.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Subsidiary of a Listed Subsidiary.

“Measurement Date” means July 8, 2021.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers’ Certificate delivered to the Trustee; and

- (2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiaries" mean Restricted Subsidiaries of the Company other than Subsidiary Guarantors, which include but are not limited to the PRC Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries, the Excluded Subsidiaries and the Designated Offshore Non-Guarantor Subsidiaries.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Note Registrar or the authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

“Officers’ Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Offshore Non-Guarantor Subsidiary” means any Offshore Restricted Subsidiary of the Company that does not provide a Subsidiary Guarantee.

“Offshore Restricted Subsidiary” means any Restricted Subsidiary of the Company that is incorporated in any jurisdiction other than the PRC.

“Opinion of Counsel” means a written opinion from legal counsel in form and substance that is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Guarantee” means a Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or another Subsidiary Guarantor; *provided* that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness by the covenant described under “— Certain Covenants — Limitation on Indebtedness” and (2) such Guarantee ranks *pari passu* with the Notes or with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as, ancillary or complementary to or supporting any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, including environmental protection activities related, complementary, necessary or ancillary thereto.

“Permitted Holders” means any or all of the following:

- (1) Mr. Zhang Jimin or Ms. Zhang Lili;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of either Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in (a) the Company or a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business or (b) a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business;
- (2) cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale under clause 4(b) of, and made in compliance with, the covenant described under “— Certain Covenants — Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens”;
- (10) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms within 90 days;
- (11) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Original Issue Date;
- (12) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (13) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet and dischargeable in accordance with customary terms;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business;
- (16) repurchases of the Notes; or
- (17) other Investments by the Company or any Restricted Subsidiary (including without limitation any deemed Investment upon the designation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) in any

Person that is primarily engaged in Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments (minus to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the net cash proceeds from the return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause) made pursuant to this clause (17) since the Original Issue Date, not to exceed 3.0% of Total Assets, provided (i) no Default has occurred and is continuing or would occur as a result of such Investment and (ii) (A) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of such shareholder or partner being a Subsidiary of the Company) or (B) such Investment complies with the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates”.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;
- (5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (6) Liens in favor of the Company or any Restricted Subsidiary;
- (7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;
- (8) (a) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof (in each case exclusive of obligations for the payment of borrowed money) or (b) Liens in favor of any bank having a right of set-off, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in the possession of such bank;

- (9) Liens existing on the Original Issue Date;
- (10) Liens securing Indebtedness which is Incurred to refinance any secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under “— Certain Covenants — Limitation on Indebtedness,” provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(e) of the covenant described under “— Certain Covenants — Limitation on Indebtedness,” provided that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under “— Certain Covenants — Limitation on Liens” to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business;
- (12) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;
- (13) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under the Indenture; provided, however, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;
- (14) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;
- (15) Liens securing Indebtedness of the type described under clause (2)(k)(ii) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”; provided that such Lien (i) covers only the equipment, property or assets acquired with such Indebtedness and (ii) is created within 180 days of such acquisition;
- (16) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”; provided that (a) such Lien is created prior to, at the time of or within 30 days after entering into the agreement underlying such Indebtedness and (b) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 150% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;
- (17) any interest or title of a lessor in the property subject to any operating lease;
- (18) easements, rights-of-way, minor survey exceptions, minor encumbrances, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers’ compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens incurred on one or more PRC bank accounts to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(m) of the covenant described under “— Limitation on Indebtedness”;

- (22) Liens on deposits or funds held in escrow arrangements securing Indebtedness permitted under clause (2)(i) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness”;
- (23) Liens in favor of customs and revenue authorities arising by operation of law to secure payment of customs duties in connection with importation or exportation of goods in the ordinary course of business;
- (24) Retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller, in each case in the ordinary course of business;
- (25) Liens on real or personal property or assets of any PRC Non-Guarantor Subsidiary securing any Indebtedness of a PRC Non-Guarantor Subsidiary; provided that the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (25) does not exceed 150% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;
- (26) Liens Incurred on deposits made to secure Entrusted Loans;
- (27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) of the covenant described under “— Limitation on Indebtedness”;
- (28) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(p) or clause (2)(q) of the covenant described under “— Certain Covenants-Limitation on Indebtedness”;
- (29) Liens on the Capital Stock of an Unrestricted Subsidiary or any Person that is not a Subsidiary of the Company solely to secure Indebtedness of such Unrestricted Subsidiary or such Person, in each case that is non-recourse to the Company or any Restricted Subsidiary (other than to the Capital Stock of such Unrestricted Subsidiary or Person owned by the Company or the Restricted Subsidiary), unless the Company or such Restricted Subsidiary could have incurred such Indebtedness under the Indenture on the date of incurrence of such Lien;
- (30) Liens with respect to licenses or leases or subleases as licensor, lessor or sublessor of any of the Company’s or its Restricted Subsidiaries property, including intellectual property, in the ordinary course of business;
- (31) Liens resulting from escrow arrangements entered into in connection with the disposition of assets;
- (32) any encumbrance or restriction, including customary rights of first refusal and tag, drag and similar rights with respect to Capital Stock of any joint venture pursuant to joint venture agreements entered into in the ordinary course of business; and
- (33) Liens with respect to obligations of the Company or any Restricted Subsidiary that do not exceed US\$10.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination) at any one time outstanding.

“Permitted Subsidiary Indebtedness” means Indebtedness of the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Non-Guarantor Subsidiary permitted under clause (2)(c), (2)(e), (2)(f), (2)(g), (2)(i), (2)(j) or (2)(l) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”) does not exceed an amount equal to 20% of Total Assets (or the Dollar Equivalent thereof).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan for the purposes of the Indenture.

“PRC CJV” means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws and regulations may be amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Qualified Exchange” means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the National Equities Exchange and Quotation System, the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

“Rating Agencies” means (1) Moody’s, (2) S&P and (3) Fitch; *provided* that if Moody’s, S&P or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s, S&P or Fitch, or two of any of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (2) with respect to S&P or Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of Moody’s, S&P or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s and “+” and “—” for S&P and Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P and Fitch, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

“Rating Decline” means in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, of public notice of the occurrence of a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall cease to be Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall cease to be Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall cease to be Investment Grade; or

- (d) in the event the Notes are rated below Investment Grade by all of the Rating Agencies that have rated the Notes on the Rating Date, the rating of the Notes by any such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories) or the Notes shall otherwise cease to maintain at least as high a rating from any such Rating Agency as it held on the Ratings Date.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in the City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

“Relevant Non-Guaranteed Portion” means, at any time of determination, the total consolidated assets of all Relevant Offshore Non-Guarantor Subsidiaries attributable to the Company or the Restricted Subsidiaries as shown on the balance sheet of such Relevant Offshore Non-Guarantor Subsidiaries for the most recently ended semi-annual period for which financial statements (which the Company shall use its reasonable best efforts to compile in a timely manner) of the Company and the Restricted Subsidiaries are available; *provided* that, when calculating the Relevant Non-Guaranteed Portion, pro forma effect shall be given to (i) any designation of an Offshore Restricted Subsidiary as a Designated Offshore Non-Guarantor Subsidiary (or any designation of an Offshore Non-Guarantor Subsidiary as a Subsidiary Guarantor) giving rise to the calculation of the Relevant Non-Guaranteed Portion, and (ii) any other Offshore Restricted Subsidiary that was designated as a Designated Offshore Non-Guarantor Subsidiary (or Offshore Non-Guarantor Subsidiary that was designated as a Subsidiary Guarantor) after the end of such semi-annual period.

“Relevant Offshore Non-Guarantor Subsidiary” means any Offshore Restricted Subsidiary of the Company (other than the Exempted Subsidiaries, the Listed Subsidiaries and the Excluded Subsidiaries) that does not provide a Subsidiary Guarantee.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Responsible Officer” means any officer within the corporate trust office of the Trustee including any Vice President, Senior Vice President or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with a particular subject, and, in each case, who shall have direct responsibility for the administration of the Indenture.

“S&P” means Standard & Poor’s Ratings Services and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Secured Indebtedness” means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Significant Subsidiary” means any Restricted Subsidiary that would constitute a “significant subsidiary” as defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the United States Securities Act of 1933, as such Regulation is in effect on the date of the Indenture, provided that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (a) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the appraised value of such Capital Stock of such Person (determined by an independent appraisal firm, accountancy firm or investment bank of recognized international standing appointed by the Company) at the time the Company or such Restricted Subsidiary enters into such agreement and (b) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means the initial Subsidiary Guarantors named herein and any other Restricted Subsidiary that Guarantees the obligations of the Company under the Indenture and the Notes; *provided* that “Subsidiary Guarantor” does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, Hong Kong or any agency of either of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, Hong Kong or any agency of either of the foregoing, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof or Hong Kong and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A”(or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1”(or higher) according to Moody’s or “A-1”(or higher) according to S&P or Fitch;

- (5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s or Fitch;
- (6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits and principal protected structured deposit products (with a term not exceeding one year and which can be withdrawn at any time with no more than six months’ notice) with any bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) provided that (1) only with respect to clause (2)(k)(ii) of “Certain Covenants — Limitation on Indebtedness” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the purchase of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; and (2) only with respect to clause (2)(q) of “— Certain Covenants-Limitation on Indebtedness” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Jersey, British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

Jersey

The Company is not regarded as resident for tax purposes in Jersey. Therefore, the Company will not be liable to Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended) and payments in respect of the Notes may be paid by the Company without withholding or deduction for or on account of Jersey income tax. The holders of Notes (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Notes.

In Jersey, no stamp duty is levied on the issue or transfer of the Notes except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Notes on the death of a holder of such Notes where such Notes are situated in Jersey. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situated in respect of a holder of Notes domiciled in Jersey, or situated in Jersey in respect of a holder of Notes domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate and such duty is capped at £100,000. Where the Notes are in registered form and the register is not maintained in Jersey such Notes should not be considered to be situated in Jersey for these purposes.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

If you are in any doubt as to your tax position, you should consult your professional tax advisor.

British Virgin Islands

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax. Under current Hong Kong legislation, no withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong and such revenue profits has Hong Kong source.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;
- a corporation carrying on a trade, profession or business in Hong Kong;
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business; or

- a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “FSIE Amendments”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue of the Notes.

Stamp duty may be payable on any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of the Notes provided that either:

- such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of the Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

Taxation on Interest. As described in the risk factor entitled “We may be deemed PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to a PRC taxation on our worldwide income”, the Company may be treated as a PRC resident enterprise. The PRC tax law, imposes a withholding tax at the rate of 10% on interests and PRC value added tax and related local levies at the rate of 6.72% paid to holders of the Notes that are “non-resident enterprises” so long as such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China (or at the rate of 20% from interest paid to investors that are non-resident individuals). Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the interest payable to the non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of

double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes. The Company currently takes the view that it is not a PRC resident enterprise for these purposes.

Taxation on Capital Gains. PRC tax law imposes a tax at the rate of 10% on capital gains realized by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China (or at the rate of 20% on capital gains realized by holders that are non-resident individuals). Pursuant to these provisions of the PRC Enterprise Income Tax Law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside mainland China) of the Notes.

PLAN OF DISTRIBUTION

China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities (Asia Pacific) Limited are acting as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name.

<u>Initial Purchaser</u>	<u>Principal Amount</u>
China International Capital Corporation Hong Kong Securities Limited.	US\$133,400,000
The Hongkong and Shanghai Banking Corporation Limited	US\$133,300,000
J.P. Morgan Securities (Asia Pacific) Limited	US\$133,300,000
Total.	<u>US\$400,000,000</u>

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum outside the United States in reliance on Regulation S. See "Transfer Restrictions". The price at which the Notes are offered may be changed at any time without notice. In addition, we have agreed with the Initial Purchasers that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

We and the Subsidiary Guarantors have agreed that, for a period of 30 days from the Original Issue Date (as defined in "Description of the Notes"), we and the Subsidiary Guarantors will not, without obtaining the prior written consent of the representatives of the Initial Purchasers, offer, sell, contract to sell, or otherwise dispose of, any debt securities, including debt securities linked to, convertible to or exchangeable with equity securities, issued or guaranteed by us or the Subsidiary Guarantors (other than the Notes or the Subsidiary Guarantees). The representatives of the Initial Purchasers in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Application will be made to The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

Any of the Initial Purchasers (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit any of the Initial Purchasers (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that any of the Initial Purchasers (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the sixth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in one business day, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OC(s) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Subsidiary Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Subsidiary Guarantors or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and, if applicable, any MiFID II product governance language set out elsewhere in this Offering Memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to the OC(s) when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Subsidiary Guarantors. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order

pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Initial Purchasers (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: hk_syndicate_omnibus@hsbc.com.hk and investor.info.hk.oc.bond.deals@jpmorgan.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OC(s); and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OC(s). By submitting an order and providing such information to any OC(s), each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OC(s) and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Subsidiary Guarantors, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Notes to certain persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

European Economic Area

Each of the Initial Purchasers represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area (“EEA”).

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 14/65/EU (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA.

Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

Each of the Initial Purchasers represents, warrants and agrees that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Initial Purchasers has further represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; and
- (iii) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the “UK PRIIPs Regulation”) for offering or selling

the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Hong Kong

This Offering Memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this Offering Memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this Offering Memorandum may, however, be issued to a limited number of prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning as defined in the Securities and Futures Ordinance (Chapter 571. of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act (Act No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This Offering Memorandum or any other material distributed by the Initial Purchasers has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes to be issued from time to time by us may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4A of the SFA);
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law;
 - (4) as specified in Section 276(7) of the SFA; or
 - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulation 2018.

PRC

Each of the Initial Purchasers has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws or other relevant regulations of the PRC.

British Virgin Islands

Each of the Initial Purchasers has represented and agreed that with respect to offers and sales of any Notes that it has not and will not make any invitation directly or indirectly to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees (together, the “Securities”), you will be deemed to have made the following acknowledgments, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf, and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You acknowledge that each Note will contain a legend substantially to the following effect: THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.
6. You acknowledge that we, the Initial Purchasers, the Trustee, the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Trustee, the Agents and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated “B” by S&P and “B” by Fitch. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. In addition, we have been assigned a corporate credit rating of “B+(prelim)” with a Stable outlook by S&P, “B(EXP)” with a Stable outlook by Fitch and “Caa1” on review for upgrade by Moody’s. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Chiu & Partners as to matters of Hong Kong law, Allen Overy Shearman Sterling as to matters of United States federal and New York law, Carey Olsen Jersey LLP as to matters of Jersey law, Carey Olsen LLP as to matters of British Virgin Islands law and Beijing Jincheng Tongda & Neal (Shenzhen) Law Firm as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Morgan Lewis & Bockius as to matters of United States federal and New York law and Commerce & Finance Law Offices as to matters of PRC law.

AUDITOR

The audited consolidated financial statements of our Group as of and for each of the years ended December 31, 2022, 2023 and 2024, included in this Offering Memorandum, had been audited by Deloitte Touche Tohmatsu, certified public accountants.

The condensed consolidated financial statements as of and for the six months ended June 30, 2024 and 2025, had been reviewed by Deloitte Touche Tohmatsu, certified public accountants. Such unaudited condensed consolidated financial information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied.

For the purpose of the offers and sales outside the United States in reliance on Regulation S, Deloitte Touche Tohmatsu has acknowledged the references to its name and the inclusion of its reports in the form and context in which they are respectively included in this Offering Memorandum.

GENERAL INFORMATION

CONSENTS

We have obtained or will have obtained all necessary consents, approvals and authorizations in Jersey, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees prior to the issue of the Notes. The entering into of the Indenture governing the Notes and the issue of the Notes have been approved at a meeting of our board of directors on November 17, 2025.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes will be available upon prior written request and satisfactory proof of holding and identity during usual business hours (being 9:00 a.m. to 3:00 p.m. (local time) Monday to Friday, excluding public holidays) for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong; facsimile: +852 3478 9198; attention: Issuer Services or electronically via email from the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, may be obtained during normal business hours on any weekday (except public holidays) at the principal place of business of the Company.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS3219577148	321957714

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear, and Clearstream.

LISTING OF THE NOTES

Application will be made to the HKEX for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Hong Kong Exchanges and Clearing Limited and the HKEX take no responsibility for the contents of this Offering Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Memorandum. Listing of the Notes on the HKEX is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company or the Subsidiary Guarantors.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this Offering Memorandum, our directors were not aware any material adverse changes in the condition (financial or otherwise), trading position or general affairs of our Group since June 30, 2025.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 29 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2025 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	3	5,418,323	3,701,812
Cost of sales		(3,791,314)	(2,728,580)
Gross profit		1,627,009	973,232
Other income	4	53,088	61,677
Selling and marketing expenses		(162,132)	(86,583)
Administrative expenses		(354,315)	(318,435)
Other expenses		(49,178)	(36,223)
Other gains and losses, net	5	140,636	183,140
Impairment loss under expected credit loss model, net of reversal	9	57,047	(51,759)
Share of results of an associate		(56)	1,550
Interest income	6	24,010	24,631
Finance costs	7	(272,266)	(102,713)
Profit before tax		1,063,843	648,517
Income tax expense	8	(168,701)	(153,382)
Profit for the period	9	895,142	495,135
Other comprehensive (expense) income for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(204,842)	25,649
Total comprehensive income for the period		690,300	520,784
Profit for the period attributable to:			
— Owners of the Company		748,262	386,882
— Non-controlling interests		146,880	108,253
		895,142	495,135
Total comprehensive income attributable to:			
— Owners of the Company		637,677	404,999
— Non-controlling interests		52,623	115,785
		690,300	520,784
Earnings per share			
— Basic (RMB)	11	0.137	0.071
— Diluted (RMB)	11	0.137	0.071

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	22,396,789	23,183,932
Investment properties		94,358	94,358
Right-of-use assets	12	731,966	758,758
Mining rights	12	1,539,844	1,734,848
Other intangible assets		299,925	358,579
Interest in an associate		10,081	10,137
Equity investments at fair value through profit or loss ("FVTPL")	27	46,099	36,217
Loan receivables	13	172,908	134,687
Deferred tax assets		125,332	131,498
Prepayments for right-of-use assets		33,379	34,087
Prepayments for mining rights		9,500	9,500
Deposits paid for acquisition of property, plant and equipment and mining rights		269,257	329,048
Other deposits	14	120,583	134,147
Pledged/restricted bank deposits		131,628	107,801
		25,981,649	27,057,597
Current assets			
Inventories		1,686,136	1,860,157
Properties under development		574,273	1,276,265
Properties for sale		150,673	–
Trade and other receivables and prepayments	14	3,876,644	3,388,534
Loan receivables	13	138,364	273,713
Pledged/restricted bank deposits		834,704	1,276,519
Cash and cash equivalents		854,479	1,157,136
		8,115,273	9,232,324
Assets classified as held for sale	16	1,689,062	–
		9,804,335	9,232,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Current liabilities			
Trade and other payables	18	6,546,686	7,501,250
Borrowings	17	3,939,498	3,917,111
Dividend payable		236,052	60,370
Contract liabilities		518,123	1,249,554
Deferred income	20	5,491	5,491
Income tax payable		92,164	58,911
		11,338,014	12,792,687
Liabilities directly associated with assets classified as held for sale	16	160,903	–
		11,498,917	12,792,687
Net current liabilities		(1,694,582)	(3,560,363)
Total assets less current liabilities		24,287,067	23,497,234
Non-current liabilities			
Borrowings	17	3,367,459	3,172,381
Asset retirement obligations		393,799	390,795
Deferred tax liabilities		503,322	511,040
Deferred income	20	12,202	15,437
Senior notes	19	4,397,466	4,469,815
Other long-term payables	21	1,281,464	1,121,281
		9,955,712	9,680,749
Net assets		14,331,355	13,816,485
Capital and reserves			
Share capital	22	142,261	142,261
Share premium and reserves		12,578,245	12,125,916
		12,720,506	12,268,177
Equity attributable to owners of the Company		12,720,506	12,268,177
Non-controlling interests		1,610,849	1,548,308
Total equity		14,331,355	13,816,485

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Equity reserve	Translation reserve	Share option reserve	Statutory reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note b)									
At 1 January 2025 (audited)	142,261	896,574	157,705	(725,287)	3,059	2,031,946	9,761,919	12,268,177	1,548,308	13,816,485
Profit for the period	-	-	-	-	-	-	748,262	748,262	146,880	895,142
Exchange differences on translation of foreign operations	-	-	-	(110,585)	-	-	-	(110,585)	(94,257)	(204,842)
Total comprehensive (expense) income for the period	-	-	-	(110,585)	-	-	748,262	637,677	52,623	690,300
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	40,748	(40,748)	-	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(11,908)	11,908	-	-	-
Dividend recognised as distribution (Note 10)	-	-	-	-	-	-	(185,348)	(185,348)	-	(185,348)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	9,918	9,918
Exercise/lapse of share options	-	-	-	-	(3,059)	-	3,059	-	-	-
At 30 June 2025 (unaudited)	142,261	896,574	157,705	(835,872)	-	2,060,786	10,299,052	12,720,506	1,610,849	14,331,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Attributable to owners of the Company							Non-		Total equity
	Share capital	Share premium	Equity reserve	Translation reserve	Share option reserve	Statutory reserves	Retained earnings	Total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note b)									
At 1 January 2024 (audited)	141,837	989,621	(3,431)	(23,936)	17,981	1,881,181	9,280,192	12,283,445	1,884,505	14,167,950
Profit for the period	-	-	-	-	-	-	386,882	386,882	108,253	495,135
Exchange differences on translation of foreign operations	-	-	-	18,117	-	-	-	18,117	7,532	25,649
Total comprehensive income for the period	-	-	-	18,117	-	-	386,882	404,999	115,785	520,784
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	38,240	(38,240)	-	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(6,723)	6,723	-	-	-
Dividend recognised as distribution (Note 10)	-	(125,094)	-	-	-	-	-	(125,094)	-	(125,094)
Exercise/lapse of share options	274	17,554	-	-	(10,680)	-	5,619	12,767	-	12,767
Disposal of a subsidiary	-	-	-	-	-	(1,381)	1,381	-	-	-
Hyperinflation restatement	-	-	139,632	-	-	-	-	139,632	76,414	216,046
At 30 June 2024 (unaudited)	142,111	882,081	136,201	(5,819)	7,301	1,911,317	9,642,557	12,715,749	2,076,704	14,792,453

Notes:

- a. Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.
 - b. For the composition of the equity reserve other than hyperinflation restatement, please refer to Note 39 of annual report for the year ended 31 December 2024.
- * The English name is for identification purpose.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		602,102	1,356,481
INVESTING ACTIVITIES			
Interest received		16,130	24,631
Purchase of property, plant and equipment		(1,348,116)	(1,369,870)
Purchase of mining rights		(7,627)	(16,742)
Purchase of other intangible assets		(475)	(7,301)
Purchase of right-of-use assets		(1,539)	(3,684)
Proceeds from disposal of property, plant and equipment		10,000	9,084
Loans to third parties		(136,837)	–
Repayments received from loans to third parties		120,100	12,996
Net cash outflow on acquisition of a subsidiary	28	(77,752)	–
Net cash inflow on disposal of a subsidiary		–	18,879
Withdrawal of pledged/restricted bank deposits		1,455,529	1,061,939
Placement of pledged/restricted bank deposits		(1,037,541)	(1,710,793)
Net cash used in investing activities		(1,008,128)	(1,980,861)
FINANCING ACTIVITIES			
New borrowings raised		3,321,737	3,239,148
Repayments of borrowings		(2,948,331)	(2,310,941)
Advances from third parties		74,663	–
Repayments of advances from third parties		(91,937)	–
Dividend paid to non-controlling shareholders of subsidiaries		(10,044)	–
Capital injection by non-controlling interests		9,918	–
Interest paid		(240,325)	(234,381)
Proceeds from exercise of share options		–	12,767
Net cash from financing activities		115,681	706,593
Net (decrease) increase in cash and cash equivalents		(290,345)	82,213
Cash and cash equivalents at 1 January		1,157,136	922,662
Cash and cash equivalents of disposal group transferred to assets classified as held for sale	16	(2,185)	–
Effect of foreign exchange rate changes		(10,127)	8,985
Cash and cash equivalents at 30 June, represented by cash and cash equivalents		854,479	1,013,860

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

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

1.1 Significant transaction in the current interim period

Acquisition of Paomashan

On 27 December 2024, 康定市新綠川環保有限公司 Kangding New Lvchuan Environmental Protection Co., Ltd.* (“New Lvchuan”), a subsidiary of the Group, entered into an investment agreement (“Investment Agreement”) with the liquidator to acquire 100% equity interest of 康定跑馬山水泥有限責任公司 Kangding Paomashan Cement Co., Ltd.* (“Paomashan”). On 21 April 2025, the acquisition was completed and the Group obtained control over production and operation of Paomashan. Further details are set out in Note 28.

* The English name is for identification purpose

Disposal of companies and assets in Xinjiang

On 25 June 2025, the Group entered into a series of agreements to dispose of companies and assets in Xinjiang with a total consideration of RMB1,650,000,000.

Further details are set out in Note 16.

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Other than application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

2. ACCOUNTING POLICIES (Cont'd)

2.1 Application of certain accounting policies which became relevant to the Group

Business combinations

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

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework" except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

Goodwill is measured as the excess of the sum of the consideration transferred 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, the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

2. ACCOUNTING POLICIES (Cont'd)

2.1 Application of certain accounting policies which became relevant to the Group (Cont'd)

Hyperinflationary economy in Ethiopia

Ethiopia (one of the foreign operations of the Group) is no longer identified as a hyperinflationary economy for reporting periods ending on or after 30 June 2025. As a result, the Group has ceased to prepare and present its financial statements prepared in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. The Group treats the amounts expressed in the current measuring units at the end of 31 December 2024 as the basis for the carrying amounts in the Group's subsequent financial statements.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Financial instruments

Modification of financial liabilities

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

2. ACCOUNTING POLICIES (Cont'd)

2.2 Application of amendments to an IFRS Accounting Standard

In the current interim period, the Group has applied the following amendments to an IFRS Accounting Standard issued by IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the amendments to an IFRS Accounting Standard in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.3 Basis for preparation of condensed consolidated financial statements

As at 30 June 2025, the Group has net current liabilities position of approximately RMB1,694,582,000. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 30 June 2025, the Group has unused banking facilities of approximately RMB2,031,026,000, which is available for drawdown and utilisation in the course of ordinary business;
- On 25 June 2025, the Group entered into a series of agreements to dispose of the Disposal Group (as defined in Note 16) with a total consideration of RMB1,650,000,000. The transaction has been completed on 15 August 2025 and the Group expects to receive consideration of RMB1,551,000,000 within the next 12 months; and
- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Types of products and services		
Sales of cement and related products	4,269,293	3,462,906
Sales of properties	797,169	–
Provision of construction and installation service	137,872	2,520
Sales of plastics bags	30,857	33,110
Trading of cement-related raw materials	20,330	57,573
Sales of gypsum	29,478	20,422
Others	133,324	125,281
	5,418,323	3,701,812

Performance obligation for contracts with customers

Revenue except sales of properties

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

All contracts related to cement 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.

Sales of properties

The performance obligation is satisfied at a point in time. Revenue is recognised at the point in time when the property is accepted by the customer, or deemed as accepted according to the contract.

Operating Segments

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

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

1. The PRC markets
2. Overseas markets

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(1) Segment revenue and results

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

For the six months ended 30 June 2025

	The PRC markets RMB'000 (Unaudited)	Overseas markets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE					
External sales	3,069,960	2,348,363	5,418,323	–	5,418,323
Inter-segment sales	63,844	–	63,844	(63,844)	–
Total	3,133,804	2,348,363	5,482,167	(63,844)	5,418,323
SEGMENT PROFIT	365,415	456,721	822,136	–	822,136
Share of result of an associate					(56)
Fair value change on equity investments at FVTPL					9,882
Dividend income from equity investments at FVTPL					1,427
Impairment loss reversed in respect of other non-current assets					94,292
Loss on disposal of property, plant and equipment					(919)
Gain on acquisition of a subsidiary					66,300
Gain on modification of other long-term payables					83,211
Unallocated directors' emoluments					(5,516)
Unallocated central administrative costs					(5,589)
Unallocated legal and professional expenses					(1,325)
Profit before tax					1,063,843

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(1) Segment revenue and results (Cont'd)

For the six months ended 30 June 2024

	The PRC markets RMB'000 (Unaudited)	Overseas markets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE					
External sales	2,379,787	1,322,025	3,701,812	–	3,701,812
Inter-segment sales	17,438	–	17,438	(17,438)	–
Total	2,397,225	1,322,025	3,719,250	(17,438)	3,701,812
SEGMENT PROFIT	82,611	587,130	669,741	–	669,741
Share of result of an associate					1,550
Fair value change on equity investments at FVTPL					2,360
Dividend income from equity investments at FVTPL					1,087
Impairment loss recognised on goodwill					(7,644)
Impairment loss recognised on other non-current assets					(11,913)
Gain on disposal of property, plant and equipment					2,521
Gain on disposal of a subsidiary					2,880
Unallocated directors' emoluments					(5,700)
Unallocated central administrative costs					(5,010)
Unallocated legal and professional expenses					(1,355)
Profit before tax					648,517

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(2) Segment assets and liabilities

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

Geographical Information

Information about the Group's revenue from external customers is presented based on the geographical location of the markets.

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
The PRC	3,069,960	2,379,787
Africa		
— Ethiopia	902,621	374,599
— Mozambique	656,528	497,696
— Democratic Republic of Congo	314,225	253,460
— Other African countries	304,352	185,577
Others	170,637	10,693
	5,418,323	3,701,812

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
The PRC	8,624,223	10,301,787
Africa		
— Democratic Republic of Congo	5,283,716	4,952,675
— Ethiopia	4,294,930	4,398,045
— Mozambique	3,157,330	3,238,624
— Other African countries	2,394,863	1,962,305
Others	1,630,037	1,659,811
	25,385,099	26,513,247

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical Information (Cont'd)

No single customer contributed 10% or more to the Group's revenue for both periods ended 30 June 2025 and 2024.

4. OTHER INCOME

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Tax refund (<i>Note</i>)	27,515	45,366
Government grant, including release from deferred income	24,146	15,224
Dividend income from equity investments at FVTPL	1,427	1,087
	53,088	61,677

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

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Fair value gain on equity investments at FVTPL	9,882	2,360
Net foreign exchange (loss) gain	(19,794)	71,214
Impairment loss recognised on goodwill (<i>Note 12</i>)	–	(7,644)
(Loss) gain on disposal of property, plant and equipment	(919)	2,521
Gain on acquisition of a subsidiary (<i>Note 28</i>)	66,300	–
Gain on disposal of a subsidiary	–	2,880
Gain on modification of other long-term payables (<i>Note 21</i>)	83,211	–
Hyperinflationary restatement (<i>note i</i>)	–	101,292
Others	1,956	10,517
	140,636	183,140

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

5. OTHER GAINS AND LOSSES, NET (Cont'd)

Note:

- (i) As at 30 June 2024, Ethiopia (in which certain subsidiaries of the Company operates) has been widely considered as a hyperinflation economy, as defined in IAS 29. The non-monetary items carried at historical cost, statement of profit or loss and other comprehensive income and equity of the subsidiaries operating in hyperinflationary economies have been restated for the effect of inflation based on general price index at the end of the reporting period provided by Ethiopian government. Monetary items are not restated as those items already reflect the purchasing power at the reporting date. The inflation rate was estimated to be 34.1%, representing an increase of 7.3% for the six months ended 30 June 2024 and accordingly, the Group recognised hyperinflationary restatement amounted to RMB101,292,000 which represented the net effect on the restatement of non-monetary items. As a result of the application of IAS 29, the overall net impact to profit or loss for the prior period amounted to RMB99,480,000. As Ethiopia is no longer identified as a hyperinflationary economy for reporting periods ending on or after 30 June 2025, therefore, the Group ceased to prepare its financial statements in accordance with IAS 29 since 1 January 2025, no hyperinflationary restatement was recognised during the six months ended 30 June 2025.

* The English name is for identification purpose

6. INTEREST INCOME

Interest income mainly represents interest received and receivable from bank deposits and loan receivables.

7. FINANCE COSTS

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on:		
Bank loans	159,732	148,026
Other long-term payables	26,259	23,726
Senior notes	113,051	112,500
	299,042	284,252
Less: amount capitalised in construction in progress	(35,553)	(190,058)
	263,489	94,194
Unwinding of discount of asset retirement obligations	8,777	8,519
	272,266	102,713

Borrowing cost capitalised on general borrowing pool are calculated by applying a weighted average capitalisation rate on funds borrowed of 5.00% (six months ended 30 June 2024: 5.34%) per annum to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current tax:		
PRC enterprise income tax	45,130	33,061
Mozambique profits tax	66,125	53,258
Ethiopia profits tax	6,718	33,718
Other jurisdictions	39,361	3,084
Withholding tax	8,500	12,645
	165,834	135,766
Under provision in prior years:		
Other jurisdictions	8,031	3,834
Deferred tax:		
Current period	(5,164)	13,782
Income tax expense	168,701	153,382

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	803,470	627,797
Depreciation of right-of-use assets	12,302	10,524
Amortisation of mining rights	6,589	22,479
Amortisation of other intangible assets	3,171	2,945
Total depreciation and amortisation	825,532	663,745
Recognised in cost of sales	(152,097)	(134,056)
Capitalised in inventories	(592,040)	(457,476)
	81,395	72,213
Staff costs (including directors' emoluments)		
Salaries and allowances	391,366	343,985
Retirement benefits	30,189	30,002
Total staff costs	421,555	373,987
Recognised in cost of sales	(40,631)	(25,990)
Capitalised in inventories	(200,198)	(179,606)
	180,726	168,391
Net allowance for credit losses (reversed) recognised in respect of:		
Loan receivables	(22,972)	8,359
Trade receivables	(34,075)	9,647
Other receivables	–	33,753
	(57,047)	51,759
Donations (included in other expenses)	3,921	3,095

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

10. DIVIDENDS

During the six months ended 30 June 2025, the Group declared a final dividend of HK3.7 cents (equivalent to RMB3.4 cents) per ordinary share in respect of the year ended 31 December 2024 (six months ended 30 June 2024: HK2.5 cents (equivalent to RMB2.3 cents)) per ordinary share in respect of the year ended 31 December 2023) in total of approximately RMB185,348,000 (six months ended 30 June 2024: RMB125,094,000).

The directors of the Company have determined that no dividend will be paid in respect of current and prior interim period.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	748,262	386,882

	Six months ended 30 June	
	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,462,533	5,447,429
Effect of dilutive potential ordinary shares from share options issued by the Company	338	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,462,871	5,447,429

The computation of diluted earnings per share for the six months ended 30 June 2024 does not assume the exercise of all share options because the adjusted exercise price of those options was higher than the average market price for shares for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/ MINING RIGHTS

During the current interim period, the Group purchased property, plant and equipment, right-of-use assets (land use rights) and mining rights of RMB1,308,561,000 (six months ended 30 June 2024: RMB106,078,000), RMB2,247,000 (six months ended 30 June 2024: RMB3,684,000) and RMB1,297,000 (six months ended 30 June 2024: RMB16,742,000), respectively, from third parties and incurred RMB982,389,000 on construction in progress (six months ended 30 June 2024: RMB1,509,168,000).

In addition, Ethiopia is no longer identified as a hyperinflationary economy for reporting periods ending on or after 30 June 2025, so there is no hyperinflation restatement during the six months ended 30 June 2025. During the six months ended 30 June 2024, addition of property, plant and equipment and mining rights of RMB258,151,000 and RMB36,024,000, respectively, was resulted from hyperinflation restatement.

The amounts of construction in progress transferred to other classes of property, plant and equipment during the six months ended 30 June 2025 are RMB2,221,167,000 (six months ended 30 June 2024: RMB80,568,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with carrying amounts of RMB43,606,000 (six months ended 30 June 2024: RMB6,563,000), resulting in a loss on disposal of RMB919,000 (six months ended 30 June 2024: gain on disposal of RMB2,521,000).

Impairment assessment

Due to downturn of the business environment in the cement industry in the PRC, certain of the Group's subsidiaries were experiencing operating losses for both periods. However, during the current interim period, in the face of this subdued demand the supply side has been relatively disciplined, with peak-shifting production halts and increased environmental controls limiting excessive oversupply. This has led to some modest improvements in the Group's average selling prices in China. In addition, unit costs have remained stable or fallen, especially in Shaanxi province due to lower coal costs. As a result, the management concluded there was indication for impairment or reversal of impairment loss and conducted impairment assessment on carrying amounts of certain cash-generating units ("CGUs").

Based on the result of the impairment assessment, the Group reversed an impairment loss of RMB94,292,000 (included in the cost of sales) related to property, plant and equipment and mining rights during the current interim period.

During the six months ended 30 June 2024, based on the result of the impairment assessment, the Group recognised impairment loss of RMB7,644,000 (Note 5) and RMB11,913,000 (included in the cost of sales) against the carrying amounts of goodwill and certain non-current assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13. LOAN RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Loans collateralised by property, plant and equipment (<i>note a</i>)	376,400	376,500
Loans collateralised by receivables (<i>note b</i>)	150,000	270,000
Small loans (<i>note c</i>)	4,800	4,800
	531,200	651,300
Less: Allowance for credit losses	(219,928)	(242,900)
	311,272	408,400
Analysed as:		
Current	138,364	273,713
Non-current	172,908	134,687
	311,272	408,400

Notes:

(a) As at 30 June 2025, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from one to three years (31 December 2024: one to two years) under which:

- (i) The third parties transferred the ownership titles of certain of their assets to the Group and leased back those assets;
- (ii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and
- (iii) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

- (b) The loans collateralised by receivables with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on the contractual terms. All principal amounts are receivable on their respective maturity dates.
- (c) Balance represents the small loans provided to small and medium sized enterprises. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13. LOAN RECEIVABLES (Cont'd)

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within one year	138,364	273,713
In more than one year but not more than two years	150,408	134,687
In more than two years but not more than five years	22,500	–
	311,272	408,400

The ranges of effective rates on the Group's loan receivables were 8% to 15% per annum as at 30 June 2025 (31 December 2024: 8% to 15% per annum).

All of the Group's loan receivables are dominated in RMB. Details of the impairment assessment are set on in Note 15.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables	1,708,822	1,523,948
Trade receivables backed by bills	377,741	269,214
	2,086,563	1,793,162
Less: Allowance for credit losses	(191,974)	(229,080)
	1,894,589	1,564,082
Other receivables	1,532,362	1,325,078
Less: Allowance for credit losses	(605)	(32,995)
	1,531,757	1,292,083
VAT recoverables	310,623	359,043
VAT refund receivables	17,574	5,661
Dividend receivable from equity investments at FVTPL	1,427	–
Prepayments to suppliers	241,257	301,812
	3,997,227	3,522,681
Less: Non-current portion of other deposits (included in "Other receivables" above)	(120,583)	(134,147)
	3,876,644	3,388,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

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

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
0 to 90 days	421,136	524,520
91 to 180 days	420,451	330,671
181 to 360 days	325,404	491,404
361 to 720 days	477,846	154,682
Over 720 days	63,985	22,671
	1,708,822	1,523,948

As at 30 June 2025, included in trade receivables backed by bills represents total bills received amounting to RMB170,676,000 (31 December 2024: RMB146,901,000) that were endorsed to suppliers on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and the corresponding trade payables.

Details of the impairment assessment are set on in Note 15.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024.

Impairment assessment on loan receivables

During the current interim period, the Group reversed the impairment allowance of RMB22,972,000 as a result of the repayment of the principal amount of RMB120,100,000.

During the six months ended 30 June 2024, the Group provided an additional impairment allowance of RMB8,359,000 due to an increase in credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS (Cont'd)

Impairment assessment on trade receivables arising from contracts with customers

During the current interim period, the Group reversed the impairment allowance of RMB34,075,000 on trade receivables, in particular, a specific reversal of RMB60,093,000 has been made in respect of two individual debtors, as the Group expected to recover the trade receivables by offsetting the trade payables to these two individuals, which the relevant subsidiaries of the Company have agreed with the two individuals.

During the six months ended 30 June 2024, the Group provided an additional impairment allowance of RMB9,647,000 on trade receivables due to an increase in credit risk.

During the current interim period, the Group wrote off an impairment allowance of RMB1,376,000 for Paomashan on trade receivables, following finalisation of Property Distribution Plan (as defined in Note 28) and terminated the liquidation process of Paomashan.

The Group's trade receivables backed by bills amounted to approximately RMB170,676,000 (31 December 2024: RMB146,901,000) as at 30 June 2025. The directors of the Company consider the ECL for these trade receivables is insignificant because the bills are issued by banks and trust company with high credit ratings assigned by either international or PRC credit rating agencies.

Impairment assessment on other receivables

During the current interim period, the Group wrote off an impairment allowance of RMB32,378,000 for Paomashan, following finalisation of Property Distribution Plan (as defined in Note 28) and terminated the liquidation process of Paomashan.

During the six months ended 30 June 2024, the Group provided an impairment loss, net of reversal of RMB33,753,000 on other receivables due to an increase in credit risk.

Impairment assessment on cash equivalents and pledged/restricted bank deposits

The credit risks on cash equivalents and pledged/restricted bank deposits are limited because the counterparties are reputational banks/financial institutions with high credit ratings internationally/locally.

Allowance for impairment

Allowance for credit losses recognised in respect of the financial assets for both periods are set out in Note 9 to the condensed consolidated financial statements.

16. NON-CURRENT ASSETS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 25 June 2025, the Group entered into an equity transfer agreement and three asset transfer agreements with a substantial shareholder of the Company ("Purchaser A") and a direct wholly-owned subsidiary of Purchaser A (Purchaser B, together with Purchaser A are referred as "Purchasers"), pursuant to which the Group has conditionally agreed to sell, and Purchasers has conditionally agreed to purchase the entire equity interest in certain subsidiaries of the Group (the "Xinjiang Companies"), and purchase certain assets the Group in Xinjiang Province, the PRC (the "Disposed Assets", the Xinjiang Companies and Disposed Assets are collectively referred as "Disposal Group"). The total consideration of the disposal of the Disposal Group was RMB1,650,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

16. NON-CURRENT ASSETS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

The disposal is still underway as at 30 June 2025 as certain conditions precedent have not yet been met. Completion of the sale of the Disposal Group took place on 15 August 2025.

The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The Disposal Group are included in the Group's PRC markets for segment reporting purposes.

The net proceeds of disposal are expected to exceed the net carrying amount of the Disposal Group and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:

	As at 30 June 2025 RMB'000
Property, plant and equipment	1,404,030
Right-of-use assets	24,733
Mining rights	131,139
Other intangible assets	55,450
Deferred tax assets	147
Deposits paid for acquisition of property, plant and equipment and mining rights	6,057
Inventories	29,981
Trade and other receivables and prepayments	35,340
Cash and cash equivalents	2,185
Total assets classified as held for sale	1,689,062
Trade and other payables	41,093
Borrowings	99,745
Contract liabilities	10,405
Income tax payable	2,098
Asset retirement obligations	2,187
Deferred tax liabilities	5,033
Deferred income	342
Total liabilities classified as held for sale	160,903

No other comprehensive income and equity recognised relating to the disposal group classified as held for sale.

Subsequent to the end of the reporting period, the transaction has completed on 15 August 2025. Upon completion of the transaction, the Xinjiang Companies cease to be subsidiaries of the Company and the legal title of Disposed Assets have been transferred to the Purchasers, and financial information of the Xinjiang Companies and Disposed Assets will no longer be consolidated to the accounts of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB3,321,737,000 (six months ended 30 June 2024: RMB3,239,148,000) and made repayments amounting to RMB2,948,331,000 (six months ended 30 June 2024: RMB2,310,941,000). The borrowings carry annual interest rates ranging from 1.12% to 22.25% per annum as at 30 June 2025 (31 December 2024: 1.07% to 22.25% per annum) and are repayable between 2025 and 2041 (31 December 2024: repayable between 2024 and 2041).

18. TRADE AND OTHER PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade payables	2,107,316	2,409,928
Bill payables	–	214,550
	2,107,316	2,624,478
Payables for constructions and equipment purchase	3,556,293	3,902,791
Other tax liabilities	132,736	127,350
Payroll and welfare payable	52,433	85,023
Interest payables	77,597	61,112
Consideration payable (Note 28)	40,829	–
Other payables	475,053	346,670
Deposits payables	68,848	63,734
Other long-term payable — current portion (Note 21)	35,581	290,092
	6,546,686	7,501,250

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
0 to 90 days	860,125	996,754
91 to 180 days	443,303	384,635
181 to 360 days	482,215	519,676
361 to 720 days	254,064	394,310
Over 720 days	67,609	114,553
	2,107,316	2,409,928

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

19. SENIOR NOTES

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

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

20. DEFERRED INCOME

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Government grants relating to acquisition of property, plant and equipment (<i>note</i>)	17,693	20,928
Less: amounts expected to be recognised within one year	(5,491)	(5,491)
	12,202	15,437

Note: The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 3 to 12 years. RMB2,893,000 (six months ended 30 June 2024: RMB2,548,000) was released to profit or loss and recorded in other income in the current reporting period.

21. OTHER LONG-TERM PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Payable related to Dugongo (defined below) (<i>note a</i>)	837,209	927,142
Payable for mining rights (<i>note b</i>)	323,708	329,403
Provision for administrative penalty (<i>note c</i>)	156,128	154,828
	1,317,045	1,411,373
Less: current portion (<i>note 18</i>)	(35,581)	(290,092)
	1,281,464	1,121,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

21. OTHER LONG-TERM PAYABLES (Cont'd)

Notes:

- (a) In 2020, the Group recorded USD174,788,000 (equivalent to approximately RMB1,138,506,000) payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party. The payable, originally unsecured with a repayment period from 2022 to 2026 with an interest rate of 4.62% per annum, was first extended to a new repayment period from 2025 to 2029 as at 31 December 2024 and bears new interest rate of 1.93% per annum. It was then further extended to a new repayment period from 2026 to 2035 as at 30 June 2025 and bears new interest rate of 1.06% per annum. Based on the assessment of the management, the Group considered that the revised terms did not result in a substantial modification from original terms, and the original payables would not be derecognised. Accordingly, the Group adjusted the carrying amount of the payable related to Dugongo and recognised a gain of USD11,582,000 (equivalent to approximately RMB83,211,000) based on the difference between the carrying amount of the original payable related to Dugongo and the present value of the modified contractual cash flows discounted at the original effective interest rate at the date of modification.
- (b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province* "陝西省礦業權出讓收益徵收管理實施辦法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayment up to 2041 using a discount rate of 4.20% to 4.65% per annum.
- (c) During the year ended 31 December 2022, the Group received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group was ordered to pay a penalty that was measured based on a percentage of the total sales in the region during such period. The directors of the Company determined that the penalty order made by SXAMR was unjustified and the Group had filed an objection to the State Administration for Market Regulation ("SAMR") against the original order during the same year. In October 2022, the proceeding of the objection to SAMR was temporary suspended and the Group and SXAMR was undergone arbitration on the penalty order. In March 2023, the Group and SXAMR could not reach to a settlement and the proceeding of objection was resumed. On 21 March 2023, SAMR upheld the original judgement made by SXAMR. In April 2023, the Group commenced an administrative litigation to Beijing Intellectual Property Court ("BJIPC") against the order from SXAMR and the result of objection from SAMR. In December 2023, BJIPC upheld the original judgement made by SXAMR and SAMR. On 5 January 2024, the Group filed an appeal to The Supreme People's Court of the People's Republic of China (The "Supreme People's Court"). The Intellectual Property Court of the Supreme People's Court has held a hearing on this case on 22 October 2024, up to the date these condensed consolidated financial statements are authorised for issue, the Group has yet to receive any judgment from the Supreme People's Court and no official result has been released yet.

The Group had made further provision of RMB1,300,000 in relation to the administrative penalty for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB2,693,000) which represented the management's best estimate that an outflow of resources embodying economic benefits will be required to settle the obligation as at 30 June 2025 using discount rates of 3.00% (31 December 2024: 3.45% to 3.95% per annum). As at 30 June 2025, the Group had provided RMB156,128,000 (2024: RMB154,828,000 (included in other payables) in respect of administrative penalty.

* The English name is for identification purpose

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

22. SHARE CAPITAL

	Number of share	Share capital	
		Shown in the condensed consolidated financial statements	
	'000	GBP'000	RMB'000
<i>Ordinary shares of 0.002 Great Britain Pound ("GBP") each</i>			
Authorised:			
As at 1 January 2024 (audited), 31 December 2024 (audited) and 30 June 2025 (unaudited)	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2024(audited), 31 December 2024 (audited) and 30 June 2025 (unaudited)	5,462,533	10,923	142,261

23. SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares.

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

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

No share options were exercised during the six months ended 30 June 2025. During the six months ended 30 June 2024, 15,450,000 share options were exercised at an average exercise price of HK\$0.91.

During the six months ended 30 June 2025, 6,900,000 share options (six months ended 30 June 2024: 5,700,000 share options) were lapsed. There are no outstanding share options as at 30 June 2025 (31 December 2024: 6,900,000 share options).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

24. CAPITAL COMMITMENTS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,148,971	3,680,909

25. RELATED PARTY DISCLOSURES

The Group has following transactions and balances with related parties:

Companies	Nature of balances	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Anda International Logistics (DRC), Limited*	Trade and other receivables	122,339	89,327
Anda International Logistics (DRC), Limited*	Trade and other payables	78,944	–

Companies	Nature of transactions	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Anda International Logistics (DRC), Limited*	Rental income	22,706	3,130
Anda International Logistics (DRC), Limited*	Transportation services provided to the Group	19,614	1,410

* The Group holds a 49% equity stake in the Anda International Logistics (DRC), Limited, which is insignificant to the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

25. RELATED PARTY DISCLOSURES (Cont'd)

Key management compensation

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries and allowances	5,433	5,623
Retirement benefits	83	77
	5,516	5,700

26. ASSETS PLEDGED FOR SECURITY

At the end of the reporting period, certain assets of the Group were pledged to secure trade facilities and banking facilities granted to the Group. The aggregate carrying amount of the pledged assets at the end of the reporting period is as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Property, plant and equipment	6,934,236	6,848,303
Properties under development	332,516	516,000
Trade receivables	28,100	2,550
Right-of-use assets	237,780	213,840
Pledged bank deposits	966,332	1,375,966
	8,498,964	8,956,659

Note:

As of June 30, 2025, the Group has pledged its equity interests in 貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd*, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd*, and 商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd*, subsidiaries of the Group, to bank to provide guarantees for any future facilities from China Minsheng Bank Xi'an Branch.

* The English name is for identification purpose

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for equity investments at FVTPL, the Group does not hold any other financial instruments measured at fair value.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Name	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)
	30/06/2025 RMB'000 (Unaudited)	31/12/2024 RMB'000 (Audited)		
Equity investments at FVTPL	46,099	36,217	Level 1	Quoted bid price in an active market

28. ACQUISITION OF A SUBSIDIARY

On 27 December 2024, New Lvchuan entered into an Investment Agreement with the liquidator to acquire 100% equity interest of Paomashan at a consideration of RMB138,829,000. In January 2025, the People's Court of Kangding City, the PRC (the "Kangding People's Court") approved the Investment Agreement and terminated the liquidation process of Paomashan. On 21 April 2025, the acquisition was completed and the Group obtained control over production and operation of Paomashan. Paomashan is principally engaged in cement production and sales, which its products are widely used in different industries.

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

Consideration transferred

	RMB'000 (Unaudited)
Consideration	138,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

28. ACQUISITION OF A SUBSIDIARY (Cont'd)

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

	RMB'000 (Unaudited)
<i>Assets</i>	
Trade and other receivables (note)	11,474
Amount due from the Group	85,337
Inventories	29,430
Property, plant and equipment	318,106
Other intangible assets	225
Bank balances and cash	248
<i>Liabilities</i>	
Trade and other payables	(21,175)
Amount due to the Group	(93,394)
Bank borrowings	(591)
Contract liabilities	(381)
Net assets	329,279

Note:

The fair value of trade and other receivables and amounts due from the Group at the date of acquisition amounted to RMB11,474,000 and RMB85,337,000, respectively, which were also the gross contractual amounts of trade and other receivables and amounts due from the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

28. ACQUISITION OF A SUBSIDIARY (Cont'd)

Bargain purchase arose in the acquisition of Paomashan

	RMB'000 (Unaudited)
Consideration transferred	138,829
Plus: expected unrecovered receivables (note i)	124,150
Less: fair value of net assets acquired	(329,279)
 Bargain purchase gain on acquisition	 (66,300)

Note:

- (i) During the acquisition of Paomashan and based on the Investment Agreement, the Group attended the creditors' meeting to negotiate and agree the property distribution plan and the first distribution details of Paomashan ("Property Distribution Plan") with other present creditors and liquidator. Based on the assessment of all court-confirmed claims and available working capital of Paomashan, the liquidator announced the Property Distribution Plan as result of the bankruptcy reorganisation of Paomashan, which is approved by the Kangding People's Court. At the date of acquisition, pursuant to the Property Distribution Plan, the Group estimated the recoverable amounts of court-confirmed claims of the Group would be RMB32,260,000, and recognised the remaining expected unrecoverable amounts of approximately RMB124,150,000 as an adjustment item in calculating the bargain purchase gain. As at 30 June 2025, the carrying amounts of receivables amounted to RMB32,260,000 were to be collected from liquidator and included in the "Trade and other receivables and prepayments" line item.

Bargain purchase gain amounting to RMB66,300,000 on acquisition of Paomashan, after reassessment, is recognised in profit or loss within the other gains and losses, net in the condensed consolidated statement of profit or loss and other comprehensive income. The bargain purchase gain is caused by the lower court-approved acquisition consideration, which reflected the distressed nature of the transaction following the termination of Paomashan's liquidation process.

Net cash outflows arising on acquisition of Paomashan

	RMB'000 (Unaudited)
Cash Consideration	138,829
Less: consideration payable (Note 18)	(40,829)
Less: cash consideration paid during the year ended 31 December 2024	(20,000)
Less: cash and cash equivalents acquired	(248)
	 77,752

29. EVENT AFTER THE REPORTING PERIOD

Other than the matters set out in Note 16, the Group had no material event after the end of the reporting period.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in these condensed consolidated financial statements to conform with the current interim period's presentation. Such reclassifications have no material effect on previously reported profit and equity.

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

(incorporated in Jersey with limited liability)

OPINION

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 167, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessments of cash-generating units ("CGUs") with goodwill and CGUs without goodwill

As disclosed in Note 21 to the consolidated financial statements, the total carrying amount of goodwill and property, plant and equipment, right-of-use assets and mining rights which belong to CGUs that are subject to impairment assessment as at 31 December 2024 were RMB6,000,673,000 (before impairment). The Group recognised impairment loss approximately RMB122,209,000 in respect of the impairment assessments for the current year.

CGUs where goodwill is not allocated are tested for impairment when there is an indication for impairment, while CGUs with goodwill allocated are tested for impairment annually or more frequently when there is an indication for impairment. As further detailed in Note 4 to the consolidated financial statements, the Group exercised judgement and made estimation, particularly in assessing: (1) whether the carrying amount of CGUs can be supported by the recoverable amounts; and (2) the appropriate key inputs to be applied in estimating the recoverable amounts included in the cash flow projections, including growth rates and discount rates.

We identified the impairment assessments of CGUs where goodwill is allocated and CGUs where goodwill is not allocated with impairment indicator(s) as a key audit matter as the financial significance of these assets to the Group, as well as the recoverable amount calculations involves significant management estimations with respect to the key assumptions adopted in the underlying cash flow forecasts of the CGUs.

Our procedures in relation to the impairment assessment of CGUs with goodwill and CGUs without goodwill included:

- Understanding the management's consideration and process for the identification of impairment indicator(s) of the CGUs;
- Obtaining an understanding of the Group's key controls on how the management assesses the impairment of CGUs which the relevant property, plant and equipment, right-of-use assets and mining rights belong to, and/or the goodwill is allocated to, and how the management prepares the cash flow forecasts, including the key assumptions and inputs;
- Obtaining the cash flow forecasts of relevant CGUs prepared by the management, and selecting cash flow forecasts on a sampling basis.

For the cashflow forecasts selected:

- obtaining an understanding on the assumptions pertaining to key inputs adopted and checking the mathematical accuracy;
- Assessing the reasonableness of the growth rates applied based on historical results and market trends, and;
- With the support of our internal specialist, evaluating the appropriateness of the impairment model used and the reasonableness of discount rates adopted by the Group.

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 IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Independent Auditor's Report

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

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

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

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

Independent Auditor's Report

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	8,344,946	9,020,901
Cost of sales		(6,371,161)	(6,560,882)
Gross profit		1,973,785	2,460,019
Other income	6	148,065	142,719
Selling and marketing expenses		(131,782)	(132,386)
Administrative expenses		(702,267)	(796,404)
Other expenses	11	(101,700)	(200,429)
Other gains and losses, net	7	182,484	(277,668)
Impairment losses under expected credit loss model, net of reversal	8	(54,903)	(18,489)
Share of result of a joint venture		–	(3,403)
Share of result of an associate	22	2,137	–
Interest income	9	69,046	88,189
Finance costs	10	(294,683)	(307,839)
Profit before tax	11	1,090,182	954,309
Income tax expense	12	(262,327)	(268,608)
Profit for the year		827,855	685,701
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,147,913)	(61,369)
Total comprehensive (expense) income for the year		(320,058)	624,332
Profit for the year attributable to:			
— Owners of the Company		626,181	421,278
— Non-controlling interests		201,674	264,423
		827,855	685,701
Total comprehensive (expense) income attributable to:			
— Owners of the Company		(75,170)	369,701
— Non-controlling interests		(244,888)	254,631
		(320,058)	624,332
Earnings per share	14		
— Basic (RMB)		0.115	0.077
— Diluted (RMB)		0.115	0.077

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	17	23,183,932	20,809,466
Investment properties		94,358	47,059
Right-of-use assets	18	758,758	833,809
Mining rights	19	1,734,848	1,728,434
Other intangible assets	20	358,579	430,705
Interest in an associate	22	10,137	8,000
Equity investment at fair value through profit or loss ("FVTPL")	23	36,217	37,128
Loan receivables	24	134,687	396,109
Deferred tax assets	25	131,498	165,980
Prepayments for right-of-use assets		34,087	26,600
Prepayments for mining rights		9,500	9,500
Deposits paid for acquisition of property, plant and equipment		329,048	395,357
Other deposits	28	134,147	134,637
Pledged/restricted bank deposits	30	107,801	70,000
		27,057,597	25,092,784
Current assets			
Inventories	26	1,860,157	1,398,662
Properties under development	27	1,276,265	944,082
Trade and other receivables and prepayments	28	3,388,534	3,175,323
Loan receivables	24	273,713	241,668
Pledged/restricted bank deposits	30	1,276,519	1,127,669
Cash and cash equivalents	30	1,157,136	922,662
		9,232,324	7,810,066
Current liabilities			
Borrowings	31	3,917,111	3,632,813
Trade and other payables	32	7,501,250	5,125,429
Dividend payables		60,370	129,415
Contract liabilities	34	1,249,554	721,709
Deferred income	36	5,491	4,850
Income tax payable		58,911	195,439
		12,792,687	9,809,655
Net current liabilities		(3,560,363)	(1,999,589)
Total assets less current liabilities		23,497,234	23,093,195

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Borrowings	31	3,172,381	2,719,404
Asset retirement obligation	35	390,795	358,178
Deferred tax liabilities	25	511,040	409,578
Deferred income	36	15,437	20,804
Senior notes	33	4,469,815	4,324,193
Other long-term payables	37	1,121,281	1,093,088
		9,680,749	8,925,245
Net assets		13,816,485	14,167,950
Capital and reserves			
Share capital	38	142,261	141,837
Share premium and reserves	39	12,125,916	12,141,608
		12,268,177	12,283,445
Equity attributable to owners of the Company		1,548,308	1,884,505
Non-controlling interests			
Total equity		13,816,485	14,167,950

The consolidated financial statements on pages 62 to 167 were approved and authorised for issue by the Board of Directors on 24 March 2025 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Cao Jianshun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Equity reserve	Translation reserve	Share option reserve	Statutory reserve	Retained earnings		
	RMB'000	RMB'000	RMB'000 (Note 39)	RMB'000	RMB'000	RMB'000 (Note 39)	RMB'000	RMB'000	RMB'000
At 1 January 2023	141,837	1,354,026	(250,227)	27,641	22,724	1,681,321	9,054,031	12,031,353	13,391,751
Profit for the year	-	-	-	-	-	-	421,278	421,278	685,701
Exchange differences on translation of foreign operations	-	-	-	(51,577)	-	-	-	(51,577)	(61,369)
Profit and total comprehensive (expense) income for the year	-	-	-	(51,577)	-	-	421,278	369,701	624,332
Exercise/lapse of share-based payments	-	-	-	-	(4,743)	-	4,743	-	-
Transfer to statutory reserve	-	-	-	-	-	130,313	(130,313)	-	-
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	99,956	(99,956)	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(30,409)	30,409	-	-
Purchase of shares of non-controlling interests (Note b)	-	-	(89,910)	-	-	-	-	(89,910)	(70,100)
Dividends recognised as distribution (Note 13)	-	(364,405)	-	-	-	-	-	(364,405)	(436,499)
Capital refund to non-controlling shareholders	-	-	-	-	-	-	-	(10,064)	(10,064)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	166	166
Establishments of subsidiaries	-	-	-	-	-	-	-	24,964	24,964
Derecognition of a subsidiary (Note 41)	-	-	-	-	-	-	-	14,158	14,158
Hyperinflation restatement	-	-	336,706	-	-	-	-	336,706	629,242
At 31 December 2023	141,837	989,621	(3,431)	(23,936)	17,981	1,881,181	9,280,192	12,283,445	14,167,950
Profit for the year	-	-	-	-	-	-	626,181	626,181	827,855
Exchange differences on translation of foreign operations	-	-	-	(701,351)	-	-	-	(701,351)	(1,147,913)
Profit and total comprehensive (expense) income for the year	-	-	-	(701,351)	-	-	626,181	(75,170)	(320,058)
Exercise/lapse of share-based payments	424	32,047	-	-	(14,922)	-	6,311	23,860	23,860
Transfer to statutory reserve	-	-	-	-	-	102,030	(102,030)	-	-
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	76,290	(76,290)	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(26,174)	26,174	-	-
Dividends recognised as distribution (Note 13)	-	(125,094)	-	-	-	-	-	(125,094)	(238,298)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	34	34
Derecognition of a subsidiary	-	-	-	-	-	(1,381)	1,381	-	-
Hyperinflation restatement	-	-	161,136	-	-	-	-	161,136	182,997
At 31 December 2024	142,261	896,574	157,705	(725,287)	3,059	2,031,946	9,761,919	12,268,177	13,816,485

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

Notes:

- a. Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.
- b. On 5 May 2023, the Group acquired 30.5% of the equity interests in 康定跑馬山水泥有限責任公司 Kangding Paomashan Cement Co., Ltd.* ("Paomashan") from a non-controlling shareholder of Paomashan for a total consideration of RMB62,960,000 through court auction and the non-controlling interest increased by RMB26,950,000.

On 24 August 2023, the Group acquired 20.4% of the equity interests in 陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Co., Ltd.* ("Xinyida Hengzhong") from non-controlling shareholders of Xinyida Hengzhong for a total consideration of RMB7,140,000 through court auction and the non-controlling interest decreased by the same amount.

- * The English name is for identification purpose.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Profit before tax		1,090,182	954,309
Adjustments for:			
Finance costs		294,683	307,839
Interest income		(69,046)	(88,189)
Net foreign exchange difference		(54,885)	(70,327)
Depreciation of property, plant and equipment		1,254,051	1,255,035
Depreciation of right-of-use assets		20,101	41,902
Amortisation of mining rights		44,234	41,286
Amortisation of other intangible assets		5,790	5,943
Gain on disposal of property, plant and equipment		(3,761)	(5,310)
Loss on disposal of right-of-use assets		–	1,213
(Gain) loss on disposal of mining rights		(4,087)	2,306
Loss on fair value changes of equity investment at FVTPL		911	55,465
(Gain) loss on disposal/derecognition of a subsidiary	41	(2,880)	255,651
Gain on deemed disposal of a joint venture		–	(10,000)
Dividends from equity investments		(1,590)	(1,897)
Impairment loss, net of reversal, under expected credit loss model	8	54,903	18,489
Impairment loss on goodwill		7,644	69,587
Impairment loss on property, plant and equipment		104,418	–
Impairment loss on right-of-use assets		10,119	–
Impairment loss on intangible assets		28	–
Provision for administrative penalty		–	119,616
Reversal of inventories		(2,807)	(929)
Share of result of a joint venture		–	3,403
Share of result of an associate		(2,137)	–
Government grants released to profit or loss		(4,726)	(6,127)
Non-cash items related to hyperinflation		(147,960)	(128,161)
Operating cash flows before movements in working capital		2,593,185	2,821,104
(Increase) decrease in inventories		(453,072)	52,654
Increase in properties under development		(332,183)	(244,976)
Increase in trade and other receivables and prepayments		(258,446)	(38,892)
Increase in trade and other payables		362,137	130,243
Increase in contract liabilities		527,845	261,531
Cash generated from operations		2,439,466	2,981,664
Income tax paid		(396,727)	(281,523)
Net cash from operating activities		2,042,739	2,700,141

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES			
Interest received		55,184	85,179
Dividends received from equity investments		1,590	1,897
Purchase of property, plant and equipment		(2,053,187)	(2,865,153)
Purchase of mining rights		(153,873)	(33,043)
Purchase of right-of-use assets		(7,823)	(24,202)
Purchase of other intangible assets		(9,737)	(1,759)
Proceeds from disposal of property, plant and equipment		280,609	42,109
Proceeds from disposal of right-of-use assets		48,190	9
Proceeds from disposal of mining rights		7,493	–
Refund of prepayment for right-of-use assets		–	16,000
Acquisition of investment in an associate		–	(2,441)
Loans to third parties		(40,000)	(411,600)
Repayments received from loans to third parties		228,197	489,407
Net cash outflow on acquisitions of subsidiaries		–	(26,715)
Net cash outflow on disposal/derecognition of a subsidiary	41	29,969	(1,738)
Deposits paid for acquisition of a subsidiary		(78,252)	(50,992)
Withdrawal of restricted/pledged bank deposits		2,264,670	1,482,077
Placement of restricted/pledged bank deposits		(2,451,321)	(2,052,428)
Net cash used in investing activities		(1,878,291)	(3,353,393)
FINANCING ACTIVITIES			
New borrowings raised		4,667,553	3,881,326
Repayments of borrowings		(3,787,320)	(2,098,395)
Proceeds from issue of shares		23,860	–
Repayment of medium-term notes		–	(700,000)
Dividends paid to non-controlling shareholders of a subsidiary		(183,998)	(21,251)
Dividends paid		(125,450)	(364,405)
Acquisition of additional interest in non-controlling interests		–	(67,685)
Capital injection by non-controlling interests		34	25,130
Capital refund to non-controlling interests		–	(10,064)
Interest paid		(509,216)	(504,849)
Net cash from financing activities		85,463	139,807
Net increase (decrease) in cash and cash equivalents		249,911	(513,445)
Cash and cash equivalents at 1 January		922,662	1,424,275
Effect of foreign exchange rate changes		(15,437)	11,832
Total cash and cash equivalents at 31 December, represented by bank balances and cash		1,157,136	922,662

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (Cont'd)

Amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-Dependent Electricity ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except as described below, the directors of the Company anticipate that the application of other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (Cont'd)

Amendments to IFRS Accounting Standards in issue but not yet effective (Cont'd)

Amendments to IAS 21 Lack of Exchangeability (Cont'd)

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability;
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate — including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations — and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The application of the amendments may have impact on the Group's financial position and performance in relation to a foreign operation which is in a hyperinflation economy (as disclosed in note 3) in which the local currency may not be exchangeable. The Group is in the process of assessing the impact of the amendments to IAS 21 on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7 *Financial Instruments: Disclosures*. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

As at 31 December 2024, the Group has net current liabilities position of approximately RMB3,560,363,000. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 31 December 2024, the Group has unused banking facility of approximately RMB1,082,482,000, which is available for drawdown and utilisation in the course of ordinary business;
- subsequent to 31 December 2024 until the date of these consolidated financial statements are authorised for issue, the Group has obtained additional banking facilities of approximately RMB1,460,000,000, which is made available for the Group to utilise at the date of granting such facilities;
- subsequent to 31 December 2024 and up to the date of these the consolidated financial statements are authorised for issue, the Group had been in negotiation with certain financial institutions that have expressed an intention to offer to the Group new banking facilities. The Group has received banking facility proposals and/or letter of intent amounting to RMB4,729,622,000 from those financial institutions;
- subsequent to 31 December 2024 and up to the date of these consolidated financial statements are authorised for issue, the Group had reached agreement with several suppliers for deferred payment arrangement and the amount of RMB430,676,000, which was originally classified as current liability, was successfully deferred beyond twelve months from 31 December 2024; and
- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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, 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.

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 ("CGU(s)") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Goodwill *(Cont'd)*

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

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

Revenue from contracts with customers

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

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a Lessee

Right-of-use assets

The cost of right-of-use assets includes any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

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.

Foreign currencies and operations (including foreign hyperinflationary operation)

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

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

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

If an entity's functional currency is the currency of a hyperinflationary economy, when translating into the presentation currency of the Group that of a non-hyperinflationary economy, the result and financial position of that entity in a hyperinflationary economy are translated to the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period, comparative amounts are not adjusted for changes in the price level or subsequent changes in exchange rates in current period.

Differences between these comparative amounts and the hyperinflation adjusted equity opening balances are recognised directly in equity for the restatement effects for the equity opening balances and in translation reserve for the translation effects for the equity opening balances through other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Foreign currencies and operations (including foreign hyperinflationary operation) *(Cont'd)*

Prior to translating the financial statements of foreign operation in a hyperinflationary economy to the presentation currency of the Group, such foreign operation's financial statements for the current year are restated to account for changes in the general purchasing power of the local currencies. The restatement is based on relevant price indices at the end of the reporting period, as discussed below:

Hyperinflationary economy in Ethiopia

As at 31 December 2024, Ethiopia (one of the foreign operations of the Group) has been widely considered as a hyperinflationary economy, as defined in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). As such, non-monetary items, which were carried at historical cost, including mainly goodwill, mining rights, property, plant and equipment, inventories and deferred tax liabilities have been restated for the effect of inflation based on changes in the price index for the period from initial recognition to end of the reporting period or to the date of disposal, where relevant.

Profit or loss transactions in the current period have been restated to reflect changes in the price index from the time of transaction to the end of the reporting period, with the exception of depreciation and amortisation. Depreciation and amortisation have been recalculated based on the inflation-adjusted costs of plant, property and equipment. The recalculation has been based on the useful lives of the relevant assets based on the Group's accounting policy.

The restating gain or loss relating to the change in the price index for the reporting period has been recognised in profit or loss under "other gains and losses, net".

Monetary items are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Restatement for hyperinflation of the financial statements of the Ethiopian operation was based on the inflation rate which was the end of period consumer prices provided by the World Economic Outlook prepared by International Monetary Fund. For 2024, the inflation rate in Ethiopia was estimated to be 17% (2023: 25%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Foreign currencies and operations (including foreign hyperinflationary operation) (Cont'd)

Hyperinflationary economy in Ethiopia (Cont'd)

As a result of the application of IAS 29, the overall net impact to profit or loss for the year is amounted to RMB122,402,000 (Note 7), which arises from the restatement of profit or loss at a net effect of RMB101,034,000, and the restatement of non-monetary items (including goodwill, property, plant and equipment, mining rights, inventories, other non-current assets, advances to suppliers, deferred tax liabilities, and equity of the Ethiopian operation).

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

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Taxation *(Cont'd)*

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

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

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

Property, plant and equipment

Property, plant and equipment 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.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2 *Inventories*. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Property, plant and equipment (Cont'd)

Mining assets include primarily the following:

(a) Stripping costs

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

(b) Asset retirement obligation

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

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

Mining rights

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties, right-of-use assets, mining rights and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and 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, investment properties, right-of-use assets, mining rights and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. 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 of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 30.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development

Properties under development, representing leasehold land and buildings located in the PRC under development which are intended to be sold upon completion of development and are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases 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 *Revenue from Contracts with Customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

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.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivables, other deposits, bank balances and restricted/pledged bank deposits) which are subject to impairment assessment under IFRS 9 *Financial Instruments* ("IFRS 9").

Trade receivables with significant and credit-impaired balances are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. The 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Cont'd)

The Group always recognises lifetime ECL for trade receivables.

For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless 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 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Cont'd)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Cont'd)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses practical expedient in estimating ECL on trade receivables that are not assessed individually using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the "other gains and losses, net" line item as part of the net foreign exchange gains (Note 7);
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the "other gain and losses, net" line item as part of the fair value change on equity instrument at FVTPL (Note 7).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities including borrowings, trade and other payables, senior notes and dividend payables are subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses, net" line item in profit or loss (note 7).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment assessment of goodwill, property, plant and equipment, right-of-use assets and mining rights

In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether the carrying amount of goodwill, property, plant and equipment, right-of-use-assets and mining rights can be supported by the recoverable amount; and (2) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Details of the impairment assessment is disclosed in Note 21.

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across financial assets measured at amortised costs requires judgement, in particular, the estimation of the amount, timing of future cash flows and forward-looking information when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors (including but not limited to, the creditability of the counterparty, historical default, etc.), changes in which can result in different levels of allowances.

Trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 28 and 47, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

Impairment of financial assets (Cont'd)

Loan receivables

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

The information about the Group's loan receivables and the ECL are disclosed in Notes 24 and 47, respectively.

Other receivables

Other receivables that are measured at amortised cost were considered low credit risk and thus the impairment provision recognised during the year was based on 12m ECL, except for the amount due from Paomashan which was considered of high credit risk and assessed based on lifetime ECL.

For other receivables, the management make periodic individual assessment on the recoverability of the balances based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

The information about the Group's other receivables and the ECL are disclosed in Notes 28 and 47, respectively.

Assets retirement obligation

The estimation of the liabilities for assets retirement obligation involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the assets retirement obligations is RMB390,795,000 (2023: RMB358,178,000) as disclosed in Note 35.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION

	2024 RMB'000	2023 RMB'000
Types of products and services		
Sales of cement and related products	7,645,607	8,710,845
Provision of construction and installation service	227,530	14,370
Sales of plastics bags	68,655	32,474
Trading of cement-related raw materials	128,992	46,115
Sales of gypsum	46,943	45,522
Others	227,219	171,575
	8,344,946	9,020,901

Performance obligation for contracts with customers and revenue recognition policies

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

All contracts related to cement 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.

Operating Segments

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

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

1. The PRC markets
2. Overseas markets

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(i) Segment revenue and results

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

For the year ended 31 December 2024

	The PRC markets RMB'000	Overseas markets RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	5,184,775	3,160,171	8,344,946	–	8,344,946
Inter-segment sales	53,713	–	53,713	(53,713)	–
Total	5,238,488	3,160,171	8,398,659	(53,713)	8,344,946
SEGMENT PROFIT	348,027	892,752	1,240,779	–	1,240,779
Share of result of an associate					2,137
Fair value change on equity instrument at FVTPL					(911)
Dividend income from equity investment at FVTPL					1,590
Impairment loss recognised in respect of goodwill and other non-current assets					(122,209)
Gain on disposal of a subsidiary					2,880
Unallocated directors' emoluments					(10,531)
Unallocated central administrative expenses					(21,849)
Unallocated legal and professional expenses					(1,704)
Profit before tax					1,090,182

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

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

For the year ended 31 December 2023

	The PRC markets RMB'000	Overseas markets RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	6,250,867	2,770,034	9,020,901	–	9,020,901
Inter-segment sales	58,062	–	58,062	(58,062)	–
Total	6,308,929	2,770,034	9,078,963	(58,062)	9,020,901
SEGMENT PROFIT					
	355,025	1,014,779	1,369,804	–	1,369,804
Share of result of a joint venture					(3,403)
Fair value change on equity instrument at FVTPL					(55,465)
Dividend income from equity investment at FVTPL					1,897
Impairment loss recognised in respect of goodwill					(69,587)
Gain on deemed disposal of a joint venture					10,000
Loss on derecognition of a subsidiary					(255,651)
Unallocated directors' emoluments					(13,930)
Unallocated central administrative expenses					(27,303)
Unallocated legal and professional expenses					(2,053)
Profit before tax					954,309

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of share of result of an associate/a joint venture, fair value change/dividend income on equity investment at FVTPL, impairment loss recognised in respect of goodwill and other non-current assets, gain on deemed disposal of a joint venture, gain on disposal of a subsidiary and loss on derecognition of a subsidiary, central administrative costs, legal and professional expenses and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(ii) Other segment information

For the year ended 31 December 2024

	The PRC markets RMB'000	Overseas markets RMB'000	Consolidated RMB'000
Depreciation and amortisation			
— property, plant and equipment	974,667	279,384	1,254,051
— right-of-use assets	18,409	1,692	20,101
— mining rights	13,667	30,567	44,234
— other intangible assets	4,827	963	5,790
Impairment loss recognised in profit or loss in respect of:			
— property, plant and equipment	104,418	—	104,418
— goodwill	7,644	—	7,644
— right-of-use assets	10,119	—	10,119
— other intangible assets	28	—	28
Impairment loss, net of reversal, under ECL model in respect of:			
— loan receivables	(6,119)	—	(6,119)
— trade and other receivables	(26,776)	87,798	61,022
Interest income	66,298	2,748	69,046
Finance costs	168,847	125,836	294,683
Gain/(loss) on disposal of property, plant and equipment	3,953	(192)	3,761
Gain on disposal of a subsidiary	2,880	—	2,880
Gain on disposal of mining rights	4,087	—	4,087
Write-down (reversal) of inventories	175	(2,982)	(2,807)

For the year ended 31 December 2023

	The PRC markets RMB'000	Overseas markets RMB'000	Consolidated RMB'000
Depreciation and amortisation			
property, plant and equipment	964,477	290,558	1,255,035
— right-of-use assets	18,595	23,307	41,902
— mining rights	16,347	24,939	41,286
— other intangible assets	5,255	688	5,943
Impairment loss, net of reversal, under ECL in respect of:			
— loan receivables	(3,795)	—	(3,795)
— trade and other receivables	43,162	(20,878)	22,284
Interest income	82,556	5,633	88,189
Finance costs	201,888	105,951	307,839
Gain on disposal of property, plant and equipment	4,768	542	5,310
Loss on disposal of right-of-use assets	1,213	—	1,213
Loss on disposal of mining rights	2,306	—	2,306
Reversal of inventories	(929)	—	(929)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical Information

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

	2024 RMB'000	2023 RMB'000
The PRC Africa	5,184,775	6,250,867
— Mozambique	1,039,180	985,504
— Ethiopia	892,902	1,175,448
— Democratic Republic of Congo	532,847	273,719
— Other African countries	509,724	288,714
Others	185,518	46,649
	8,344,946	9,020,901

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

	2024 RMB'000	2023 RMB'000
The PRC Africa	10,301,787	11,097,801
— Mozambique	3,238,624	3,069,436
— Ethiopia	4,398,045	3,380,507
— Democratic Republic of Congo	4,952,675	3,397,776
— Other African countries	1,962,305	2,451,025
Others	1,659,811	892,385
	26,513,247	24,288,930

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Tax refund (<i>Note a</i>)	90,918	97,041
Government grant, including release from deferred income	55,557	41,080
Dividend income from equity investment at FVTPL	1,590	1,897
Other	–	2,701
	148,065	142,719

Note:

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

7. OTHER GAINS AND LOSSES, NET

	2024 RMB'000	2023 RMB'000
Fair value change on equity instrument at FVTPL	(911)	(55,465)
Impairment loss recognised in respect of goodwill (<i>Note 21</i>)	(7,644)	(69,587)
Gain (loss) on disposal of mining rights	4,087	(2,306)
Net foreign exchange gain	54,885	45,601
Loss on derecognition of a subsidiary (<i>Note 41</i>)	–	(255,651)
Gain on disposal of a subsidiary (<i>Note 41</i>)	2,880	–
Gain on deemed disposal of a joint venture	–	10,000
Gain on disposal of property, plant and equipment	3,761	5,310
Hyperinflation restatement	122,402	47,567
Others	3,024	(3,137)
	182,484	(277,668)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

	2024 RMB'000	2023 RMB'000
Impairment losses recognised (reversed) on:		
— trade receivables	29,217	21,940
— loan receivables (note 24)	(6,119)	(3,795)
— other receivables	31,805	344
	54,903	18,489

Details of impairment assessment are set out in Note 47.

9. INTEREST INCOME

	2024 RMB'000	2023 RMB'000
Interest income from:		
— loan receivables	55,184	66,339
— amount due from a joint venture	—	3,010
— bank deposits	13,862	18,840
	69,046	88,189

10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
— bank loans	368,424	288,798
— other long-term payables	22,322	42,629
— senior notes (Note 33)	224,486	220,676
— medium-term notes	—	34,569
	615,232	586,672
Less: amount capitalised	(337,621)	(295,316)
	277,611	291,356
Unwinding of discount (Note 35)	17,072	16,483
	294,683	307,839

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 5.38% (2023: 5.27%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

11. PROFIT BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Depreciation and amortisation:		
— Depreciation of property, plant and equipment	1,254,051	1,255,035
— Depreciation of right-of-use assets	20,101	41,902
— Amortisation of mining rights	44,234	41,286
— Amortisation of other intangible assets	5,790	5,943
Total depreciation and amortisation	1,324,176	1,359,008
Recognised in cost of sales	(261,532)	(280,238)
Capitalised in inventories	(902,241)	(904,728)
	160,403	174,042
Staff costs (including directors' emoluments):		
— Salaries and allowances	805,095	865,719
— Retirement benefits	63,966	67,362
Total staff costs	869,061	933,081
Recognised in cost of sales	(61,356)	(74,284)
Capitalised in inventories	(446,360)	(429,460)
	361,345	429,337
Research and development costs recognised as an expense (included in cost of sales)	284,517	335,335
Auditors' remuneration	7,079	7,340
Cost of inventories recognised as expenses (excluded reversal of inventories)	5,651,998	5,871,954
Reversal of inventories (included in cost of sales)	(2,807)	(929)
Donations (included in other expenses)	6,578	21,097
Legal and professional fees (included in other expenses)	95,122	52,667
Provision for administrative penalty (included in other expenses)	—	119,616

In addition, the proceeds generated and the associated cost incurred from samples produced before intended use of property, plant and equipment amounted to RMB621,258,000 (2023: RMB177,814,000) and RMB289,594,000 (2023: RMB22,451,000) are recognised and included in the "revenue" and "cost of sales" line items respectively during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	42,500	66,264
Ethiopia Profits Tax	63,369	199,145
Mozambique Profits Tax	117,404	11
Withholding tax	25,183	58,864
Other jurisdictions	5,119	32,547
	253,575	356,831
Under (over) provision in prior years:		
PRC EIT	9,525	23,150
Hong Kong Profits Tax	3,945	(64,018)
	13,470	(40,868)
Deferred tax (Note 25):	(4,718)	(47,355)
Income tax expense	262,327	268,608

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first 2 million Hong Kong Dollars ("HKD") of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Ethiopia Profits Tax is calculated at 30% for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Cont'd)

Democratic Republic of Congo Profit Tax is calculated at 30% for both years.

Mozambique Profit Tax is calculated at 32% for both years.

Uzbekistan Profit Tax is calculated at 15% for both years.

Taxation arising in other jurisdictions, mainly arising from various countries in Africa, is calculated at the rates prevailing in the relevant jurisdictions.

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

	2024 RMB'000	2023 RMB'000
Profit before tax	1,090,182	954,309
Tax at domestic income tax rate of 25% (2023: 25%)	272,546	238,577
Tax effects on:		
Expenses not deductible for tax purpose	8,519	36,427
Income not taxable for tax purpose	(615)	(1,330)
Additional tax benefit applicable to the Group (Note a)	(71,129)	(83,834)
Tax holidays and concession rates of group entities (Note b)	(66,785)	(25,924)
Tax effect of share of result of an associate/a joint venture	(534)	850
Tax on interest income on intra-group loans (Note c)	172	372
Tax effect of deductible temporary differences not recognised	81,202	44,108
Withholding tax on undistributed profits of PRC subsidiaries (Note d)	24,000	17,624
Withholding tax on undistributed profits of overseas subsidiary	–	12,964
Tax losses not recognised as deferred tax assets	54,607	143,825
Utilisation of tax losses previously not recognised as deferred tax assets	(8,590)	(5,502)
Recognition of deferred tax assets on tax losses generated in previous years	(2,787)	(31,885)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(41,749)	(36,796)
Under (over) provision in respect of prior years	13,470	(40,868)
Tax expense for the year	262,327	268,608

Notes:

- Pursuant to the relevant tax rules and regulation in the PRC, certain expenses in research nature are deductible at 100% (2023: 100%) of such expenses incurred additionally. The related tax benefit amounted to RMB71,129,000(2023: RMB83,834,000) for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		
		2024	2023	Tax benefit
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd.* ("Hetian Yaobai")	Xinjiang	15%	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd.* ("Luxin")	Xinjiang	15%	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd.* ("Lantian Yaobai")	Shaanxi	15%	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd.* ("Fuping")	Shaanxi	15%	15%	(i)
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd.* ("Shifeng")	Shaanxi	15%	15%	(i)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd.* ("Longqiao Yaobai")	Shaanxi	15%	15%	(i)
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd.* ("Pucheng Yaobai")	Shaanxi	15%	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd.* ("Zhonggang Logistics")	Shaanxi	15%	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd.* ("Guizhou Linshan")	Guizhou	15%	15%	(i)
韓城堯柏陽山莊水泥有限公司 Hancheng Yangshanzhuang Cement Co., Ltd.* ("Hancheng")	Shaanxi	15%	15%	(i)
安康市堯柏水泥有限公司 Ankang Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中堯柏水泥有限公司 Hanzhong Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd.* ("Mianxian")	Shaanxi	15%	15%	(i)

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2024	2023	
漢中西鄉堯柏水泥有限公司 Hanzhong Xixiang Yaobai Cement Co., Ltd.* ("Xixiang")	Shaanxi	15%	15%	(i)
伊犁堯柏水泥有限公司 Yili Yaobai Cement Co., Ltd.* ("Yili Yaobai")	Xinjiang	15%	15%	(i)
銅川藥王山生態水泥有限公司 Tongchuan Yaowangshan Ecological Cement Co., Ltd.* ("Yaowangshan")	Shaanxi	15%	15%	(i)
陝西新意達建材產業發展有限公司 Shaanxi Xinyida Building Materials Industry Development Co., Ltd.* ("Xinyida Jiancai")	Shaanxi	15%	15%	(i)
陝西新意達恒眾混凝土有限公司 Xinyida Hengzhong	Shaanxi	15%	15%	(i)
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
安康堯柏節能環保建材有限公司 Ankang Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
陝西堯柏新材料科技有限公司 Shaanxi Yaobai New Material Technology Co., Ltd.*	Shaanxi	15%	15%	(i)
銅川中港智慧物流有限公司 Tongchuan Zhonggang Intelligent Logistics Co., Ltd.*	Shaanxi	15%	15%	(i)
融信(新疆)融資租賃有限公司 Rongxin (Xinjiang) Financial Leasing Co., Ltd.*	Xinjiang	0%	0%	(ii)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd.* ("Guangxin Yili")	Xinjiang	15%	15%	(vi)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2024	2023	
銅川柏雲智能數據技術有限公司 Tongchuan Baiyun Intelligent data technology Co., Ltd.*	Shaanxi	20%	20%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd.* ("Moyu Jiancai")	Xinjiang	7.5%	7.5%	(iv)
和田堯柏建材有限公司 Hetian Yaobai Building Materials Co., Ltd.* ("Hetian Jiancai")	Xinjiang	7.5%	7.5%	(iv)
Shaanxi Fengsheng	Shaanxi	15%	15%	(v)
西安柏雲智能數據技術有限公司 Baiyun Intelligent Data Technology Co., Ltd.*	Shaanxi	15%	15%	(v)
商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd.* ("Xiushan Yaobai")	Shaanxi	15%	15%	(v)
銅川堯柏特種水泥有限公司 Tongchuan Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co. Ltd.* ("Jianghua")	Shaanxi	15%	15%	(i)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd.*	Shaanxi	15%	15%	(i)
墨玉堯柏水泥有限公司 Moyu Yaobai Cement Co., Ltd.* ("Moyu Yaobai")	Shaanxi	7.5%	7.5%	(i)/(iv)
陝西建達信工程檢測有限公司 Shaanxi Jiandaxin Engineering Testing Co., Ltd.* ("Jiandaxin Engineering")	Shaanxi	20%	20%	(iii)
堯柏特種水泥技術研發有限公司 Yaobai Special Cement Technology R&D Co., Ltd.*	Shaanxi	15%	15%	(v)
漢中堯柏磊金節能環保建材有限公司 Hanzhong Yaobaileijin Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(v)
陝西柏能工業技術有限公司 Shaanxi Baineng Industrial Technology Co., Ltd.*	Shaanxi	15%	15%	(i)
新疆絲路智運物流有限公司 Xinjiang Silu Zhiyun Logistics Co., Ltd.*	Xinjiang	15%	15%	(i)

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2024	2023	
商洛堯柏節能環保建材有限公司 Shangluo Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	20%	20%	(iii)
和田堯柏節能環保建材有限公司 Hetian Yaobo Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Hetian Jieneng")	Xinjiang	7.5%	0%	(iv)
陝西堯柏恒基混凝土有限公司 Shaanxi Yaobo Hengji Concrete Co., Ltd.*	Shaanxi	15%	15%	(i)
渭南堯柏聚信建築材料有限公司 Weinan Yaobo Juxin Building Materials Co., Ltd.* ("Juxin Building")	Shaanxi	15%	15%	(i)
陝西康居樾華物業服務有限公司 Shaanxi Kangju Yuehua Property Service Co., Ltd.*	Shaanxi	20%	20%	(iii)
Great Lake Cement SAS ("Great Lake Cement")	Republic of Congo	0%	0%	(vii)

- (i) Concession rate of 15% is granted by the local tax authorities in western region expiring in 2030. According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The above group entities, which are located in western region and are engaged in the encouraged business, are entitled to enjoy the preferential EIT rate of 15% in the respective years.
- (ii) Five-year tax holidays with 0% tax rate starting from the year beginning on 1 January 2023.
- (iii) Concession rate of 20% were granted to the small and micro enterprises.
- (iv) Tax incentive of “兩免三減半” was granted to these subsidiaries. The Group's subsidiaries, Moyu Jiancai, Hetian Jiancai, Moyu Yaobai and Hetian Jieneng are entitled to the tax incentive starting from year 2020, 2021, 2022, 2023 and 2024 respectively.
- (v) Three-year tax holidays with 15% tax rate granted to high-tech enterprises in both years.
- (vi) Tax incentive of “五免五減” was granted to Guangxin Yili, which entitled to the tax incentive starting from year 2018 to 2027.
- (vii) Tax holidays with 0% tax rate is entitled till the year ending by 31 December 2027.
- c. Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and the PRC.
- d. Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 5% under the PRC Enterprise Income Tax Law.

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Final Dividend: HK2.5 cents, equivalent to RMB2.3 cents, per ordinary share (2022: HK7.4 cents, equivalent to RMB6.7 cents, per ordinary share)	125,094	364,405

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of RMB3.4 cents (equivalent to HK3.6 cents) (2023: RMB2.3 cents (equivalent to HK2.5 cents)) per ordinary share, in an aggregate amount of (approximately RMB185,348,000 (2023: RMB125,094,000) per ordinary share have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2024 RMB'000	2023 RMB'000
Profit for the year		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	626,181	421,278

	2024 '000	2023 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	5,451,417	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,451,417	5,438,883

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

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For the year ended 31 December 2024

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2024	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,500	–	–	1,500
Cao Jianshun (<i>Chief Executive Officer</i>) (appointed on 2 Feb. 2023)	–	2,013	–	41	2,054
Wang Fayin (appointed on 2 Feb. 2023 and resigned on 16 Apr. 2024)	–	1,848	–	35	1,883
Wang Rui (appointed on 16 Apr. 2024)	–	1,087	–	31	1,118
Chu Yufeng (appointed on 2 Feb. 2023)	–	1,370	–	41	1,411
Non-executive directors					
Ma Zhaoyang	367	–	–	–	367
Fan Changhong (resigned on 10 Jan. 2024)	9	–	–	–	9
Fan Zhan (appointed on 7 June 2023)	367	–	–	–	367
Wang Zhixin (appointed on 10 Jan. 2024)	358	–	–	–	358
Independent non-executive directors					
Lee Kong Wai Conway	366	–	–	–	366
Zhu Dong	366	–	–	–	366
Tam King Ching Kenny	366	–	–	–	366
Feng Tao (appointed on 28 Feb. 2023)	366	–	–	–	366
	2,565	7,818	–	148	10,531

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For the year ended 31 December 2024

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

2023	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,500	2,300	–	3,800
Ma Weiping (Chief Executive Officer) (resigned on 2 Feb. 2023)	–	336	1,667	–	2,003
Cao Jianshun (Chief Executive Officer) (appointed on 2 Feb. 2023)	–	2,032	–	35	2,067
Wang Fayin (appointed on 2 Feb. 2023 and resigned on 16 Apr. 2024)	–	1,830	–	35	1,865
Chu Yufeng (appointed on 2 Feb. 2023)	–	1,434	265	35	1,734
Non-executive directors					
Ma Zhaoyang	360	–	–	–	360
Fan Changhong (resigned on 10 Jan. 2024)	360	–	–	–	360
Wang Jingqian (appointed on 19 April 2022 and resigned on 7 June 2023)	156	–	–	–	156
Fan Zhan (appointed on 7 June 2023)	204	–	–	–	204
Independent non-executive directors					
Lee Kong Wai Conway	360	–	–	–	360
Zhu Dong	360	–	–	–	360
Tam King Ching Kenny	360	–	–	–	360
Feng Tao (appointed on 28 Feb. 2023)	301	–	–	–	301
	2,461	7,132	4,232	105	13,930

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For the year ended 31 December 2024

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

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

On 16 April 2024, Ms. Wang Rui has been appointed as the executive director of the Company.

The emoluments of Ms. Wang Rui disclosed in the above-mentioned table for the year ended 31 December 2024 exclude the salaries and allowances she received for her involvement in the management of the affairs of the Company and the Group prior to her appointment as an executive director.

The emoluments disclosed for Mr. Cao Jianshu, Mr. Wang Fayin and Mr. Chu Yufeng during the years ended 31 December 2024 and 2023 in the abovementioned table included the salaries and allowances for their services in connection with the management of the affairs of the Company and the Group before they were appointed as the executive directors.

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

During the year, no emolument was paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2023: nil).

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2023: nil).

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include five (2023: five) directors of whose remuneration are set out in Note 15 above.

During the year, no emolument was paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2023: nil).

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For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2023	7,871,697	650,448	682,918	11,228,805	1,607,335	4,503,422	26,544,625
Exchange realignment	31,521	2,519	1,905	40,513	11	56,908	133,377
Additions	206,826	137,050	27,605	127,104	38,405	3,250,047	3,787,037
Transfers	468,670	70,509	21,865	227,377	47,428	(843,530)	(7,681)
Derecognition of a subsidiary (Note 41)	(63,720)	(2,395)	(861)	(1,398)	–	(507,842)	(576,216)
Hyperinflation restatement	91,830	136,866	38,214	256,798	64,957	–	588,665
Disposals/written off	(14,758)	(70,040)	(6,685)	(25,578)	(3,472)	–	(120,533)
At 31 December 2023	8,592,066	924,957	764,961	11,853,621	1,754,664	6,459,005	30,349,274
Exchange realignment	(10,285)	(19,579)	(3,133)	(30,965)	(459)	(679,237)	(743,658)
Additions	300,169	225,258	548,549	296,235	24,567	3,081,685	4,476,463
Transfers	2,191,488	318,026	499,702	1,675,587	115,124	(4,836,017)	(36,090)
Hyperinflation restatement	64,321	36,047	8,197	160,053	–	–	268,618
Disposals/written off	(99,878)	(70,114)	(17,663)	(201,850)	(642)	–	(390,147)
At 31 December 2024	11,037,881	1,414,595	1,800,613	13,752,681	1,893,254	4,025,436	33,924,460
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2023	2,155,876	214,505	311,112	5,087,314	580,463	–	8,349,270
Depreciation charge	362,395	100,699	62,009	674,745	55,187	–	1,255,035
Hyperinflation restatement	1,834	1,549	434	11,025	–	–	14,842
Eliminated on derecognition of a subsidiary (Note 45)	(254)	(98)	(68)	(30)	–	–	(450)
Eliminated on disposals/written off	(7,218)	(59,648)	(1,547)	(15,275)	(46)	–	(83,734)
Exchange realignment	1,268	549	343	2,683	2	–	4,845
At 31 December 2023	2,513,901	257,556	372,283	5,760,462	635,606	–	9,539,808
Depreciation charge	431,509	129,629	47,843	599,473	45,597	–	1,254,051
Hyperinflation restatement	2,118	1,282	384	8,802	–	–	12,586
Eliminated on disposals/written off	(15,057)	(34,273)	(1,662)	(62,302)	(5)	–	(113,299)
Exchange realignment	(6,733)	(18,195)	(2,634)	(29,437)	(37)	–	(57,036)
Impairment loss recognised in profit or loss	59,210	344	1,572	41,368	1,633	291	104,418
At 31 December 2024	2,984,948	336,343	417,786	6,318,366	682,794	291	10,740,528
CARRYING AMOUNT							
At 31 December 2024	8,052,933	1,078,252	1,382,827	7,434,315	1,210,460	4,025,145	23,183,932
At 31 December 2023	6,078,165	667,401	392,678	6,093,159	1,119,058	6,459,005	20,809,466

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For the year ended 31 December 2024

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

Details of property, plant and equipment pledged are set out in Note 46.

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

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

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

18. RIGHT-OF-USE ASSETS

	Leasehold land	
	RMB'000	
As at 31 December 2024		
Carrying amount	758,758	
As at 31 December 2023		
Carrying amount	833,809	
	2024 RMB'000	2023 RMB'000
Depreciation charge	20,101	41,902
Impairment loss recognised in profit or loss (Note 21)	10,119	–
Total cash outflow for leases	7,823	24,202
Additions to right-of-use assets	336	61,333

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB56,863,000 (2023: RMB58,510,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 46.

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

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19. MINING RIGHTS

	RMB'000
COST	
At 1 January 2023	1,722,574
Addition	137,691
Hyperinflation restatement	99,206
Transfer from construction in progress	3,502
Disposal	(36,659)
Exchange realignment	2,992
At 31 December 2023	1,929,306
Addition	129,798
Transfer from construction in progress	36,090
Hyperinflation restatement	37,797
Disposal	(3,502)
Exchange realignment	(150,953)
At 31 December 2024	1,978,536
AMORTISATION AND IMPAIRMENT	
At 1 January 2023	194,543
Charge for the year	41,286
Hyperinflation restatement	(604)
Eliminated on disposal	(34,353)
At 31 December 2023	200,872
Charge for the year	44,234
Eliminated on disposal	(96)
Exchange realignment	(1,322)
At 31 December 2024	243,688
CARRYING AMOUNT	
At 31 December 2024	1,734,848
At 31 December 2023	1,728,434

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Emission rights RMB'000	Total RMB'000
COST					
At 1 January 2023	480,865	20,610	69,741	4,400	575,616
Addition	–	–	1,759	–	1,759
Hyperinflation restatement	27,802	–	–	–	27,802
Transfers from construction in progress	–	–	4,179	–	4,179
Derecognition of a subsidiary (Note 41)	(70,839)	–	(226)	–	(71,065)
At 31 December 2023	437,828	20,610	75,453	4,400	538,291
Exchange adjustments	(73,889)	–	216	–	(73,673)
Addition	–	–	9,737	–	9,737
Hyperinflation restatement	5,326	–	–	–	5,326
At 31 December 2024	369,265	20,610	85,406	4,400	479,681
ACCUMULATED AMORTISATION					
At 1 January 2023	–	20,610	11,257	189	32,056
Charge for the year	–	–	5,854	89	5,943
Impairment losses recognised in the year (Note 21)	69,587	–	–	–	69,587
At 31 December 2023	69,587	20,610	17,111	278	107,586
Exchange adjustments	–	–	54	–	54
Charge for the year	–	–	5,581	209	5,790
Impairment losses recognised in the year (Note 21)	7,644	–	28	–	7,672
At 31 December 2024	77,231	20,610	22,774	487	121,102
CARRYING AMOUNT					
At 31 December 2024	292,034	–	62,632	3,913	358,579
At 31 December 2023	368,241	–	58,342	4,122	430,705

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

Computer software	5 to 20 years
Emission rights	20 years

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21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS

Management considers each cement plant as a separate CGU and goodwill is test for the lowest level of identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets is the cash inflows generated by each cement plant.

Goodwill is tested for impairment annually or more frequently when circumstances indicate the carrying value may be impaired. Goodwill balances at end of each reporting period were attributable specifically to the seven individual CGUs in 2024 (2023: nine individual CGUs).

In addition, at the end of each reporting period, the management carries out the review of its non-current assets to identify if there is any impairment indicators that these assets have suffered an impairment loss.

Due to the continuous downturn of the business environment in the cement industry in the PRC, certain of the Group's subsidiaries were experiencing operating losses for the year ended 31 December 2024 and 31 December 2023 and the management concluded there was indication for impairment. As it is not possible to estimate the recoverable amount of these individual non-current assets, the Group conducted impairment assessment on 22 CGUs (2023: 22 CGUs) where these goodwill, property, plant and equipment, right-of-use assets and mining rights belong to.

The total carrying amount of goodwill and property, plant and equipment, right-of-use assets and mining rights which belong to CGUs that are subject to impairment assessment as at 31 December 2024 were RMB6,000,673,000 (2023: RMB6,499,420,000) (before impairment).

The recoverable amounts of above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on a five-year financial budgets approved by the management. The following table sets out the key assumptions for the value in use calculation of the CGUs that were subject to impairment review.

	China	Africa
Pre-tax discount rate		
31 December 2024	10.5%–13.6%	14.0%–26.5%
31 December 2023	12.0%–12.1%	18.0%
Revenue growth rate		
31 December 2024	-2%–3%	0%–11%
31 December 2023	-12%–9%	-4%–0%

The cash flows beyond the five-year period are extrapolated using 0% to 5.7% growth rates (2023: 0% to 5.7%) with reference to the gross domestic price index of the respective country. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

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21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS (Cont'd)

According to the result of the impairment review, the management concluded that six CGUs with their recoverable amounts lower than the carrying amounts of the CGUs. An impairment loss of approximately RMB122,209,000 has been recognised in profit or loss for the year ended 31 December 2024, of which RMB7,644,000 has been recognised against the carrying amounts of goodwill (Note 7) and the remaining RMB114,565,000 has been recognised (included in the cost of sales) and allocated to property, plant and equipment, right-of-use assets and other intangible assets other than goodwill. An impairment loss of approximately RMB69,587,000 has been recognised in profit or loss for the year ended 31 December 2023, and all the impairment losses were allocated to goodwill.

For the year ended 31 December 2024

	Valuation methodology	Gross carrying amount RMB'000	Recoverable amount RMB'000	Amount of impairment recognised RMB'000
CGUs (including goodwill)				
Cement plant — Pucheng	VIU	323,334	311,422	(11,912)
Cement plant — Yaowangshan	VIU	354,774	260,482	(94,292)
Cement plant — Pucheng Building	VIU	20,379	14,246	(6,133)
Cement plant — Shangluo Building	VIU	20,185	19,451	(734)
Cement plant — Juxin Building	VIU	20,431	12,786	(7,645)
Cement plant — Hanzhong Building	VIU	10,005	8,512	(1,493)
		749,108	626,899	(122,209)

For the year ended 31 December 2023

	Valuation methodology	Gross carrying amount RMB'000	Recoverable amount RMB'000	Amount of impairment recognised RMB'000
CGUs (including goodwill)				
Cement plant — Fuping	VIU	771,613	764,355	(7,258)
Cement plant — Yaowangshan	VIU	461,955	432,342	(29,613)
Cement plant — Juxin Building	VIU	66,497	33,781	(32,716)
		1,300,065	1,230,478	(69,587)

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21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS (Cont'd)

Below are the key parameters adopted for the six CGUs with impairment loss:

For the year ended 31 December 2024

	Juxin Building	Pucheng	Pucheng Building	Shangluo Building	Hanzhong Building	Yaowangshan
Pre-tax discount rate	12%	12%	14%	13%	12%	12%
Revenue growth rate	5%	12%	83%	0%	42%	-23%

For the year ended 31 December 2023

	Fuping	Yaowangshan	Juxin Building
Pre-tax discount rate	12%	12%	12%
Revenue growth rate	-1%	-3%	4%

The management of the Group conduct sensitivity analysis of the parameters applied in the base version of the impairment testing to confirm whether a reasonably possible change in key parameters (i.e. the pre-tax discount rate and the revenue growth rate) would cause the carrying amount of the CGUs to exceed the recoverable amount.

The result of sensitivity analysis for the six CGUs are summarised as below:

For the year ended 31 December 2024

	Juxin Building RMB'000	Pucheng RMB'000	Pucheng Building RMB'000	Shangluo Building RMB'000	Hanzhong Building RMB'000	Yaowangshan RMB'000
Decrease in recoverable amount						
— if pre-tax discount rate increased by 1%	(2,227)	(1,760)	(5,657)	(145)	(1,217)	(82,759)
— if revenue growth rate decreased by 1%	(12,927)	(45,652)	(10,324)	(2,734)	(5,179)	(130,447)

For the year ended 31 December 2023

	Fuping RMB'000	Yaowangshan RMB'000	Juxin Building RMB'000
Decrease in recoverable amount			
— if pre-tax discount rate increased by 1%	(61,139)	(21,492)	(3,816)
— if revenue growth rate decreased by 1%	(22,526)	(15,530)	(4,978)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS *(Cont'd)*

Except for the CGUs with impairment of goodwill and other non-current assets already recognised, the management of the Group has not identified that a reasonable possible change in the key parameters could cause the carrying amount of the CGUs to exceed the recoverable amount as of 31 December 2024 and 2023 for all other CGUs.

The carrying amounts of goodwill balances at end of each reporting period were attributable specifically to the individual CGU as below.

	2024 RMB'000	2023 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — National Cement Share Company ("NCSC")	79,141	147,704
Commercial mixed station — Shaanxi Fengsheng	6,207	6,207
Concrete plant — Shaanxi Hengji Concrete Co., Ltd.* ("Hengji Concrete") 陝西恒基混凝土有限公司	50,594	50,594
Concrete plant — Juxin Building	5,813	13,457
	292,034	368,241

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

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22. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Unlisted equity investment, at cost (Note)	8,000	8,000
Share of post-acquisition profits and other comprehensive income	2,137	—
Carrying amount of the Group's interest	10,137	8,000

Note: Approximately RMB5,559,000 of the investment cost were contributed by the land use right.

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2024	2023	2024	2023	
Tongchuan Haichuang Yaobai Environmental Co., Ltd.* 銅川海創堯柏環保 有限責任公司	The PRC	Shaanxi	40%	40%	40%	40%	Treatment of dangerous and hazardous waste

* The English name is for identification purpose only

No summary of financial information is disclosed as the financial results of the associate is not material to the Group as a whole.

23. EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Listed securities:		
— Equity securities listed in the SEHK	36,217	37,128

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24. LOAN RECEIVABLES

	2024 RMB'000	2023 RMB'000
Loans collateralised by property, plant and equipment (<i>Note a</i>)	376,500	375,596
Loans collateralised by receivables (<i>Note b</i>)	270,000	502,300
Small loans (<i>Note c</i>)	4,800	8,900
	651,300	886,796
Less: Allowance for credit losses	(242,900)	(249,019)
	408,400	637,777
Analysed as:		
Current	273,713	241,668
Non-current	134,687	396,109
	408,400	637,777

Notes:

- (a) As at 31 December 2024 and 2023, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from one to two years under which:
- (i) The third parties transferred the ownership titles of their certain assets to the Group and leased back those assets;
 - (ii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and
 - (iii) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.
- Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.
- (b) The loans collateralised by receivables are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.
- (c) Balance represents the small loans provided to small and medium sized enterprises. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

The Group periodically carries out inspection on the collateralised assets of the borrowers. During the years ended 31 December 2024 and 2023, the Group did not identify any significant deterioration of the quality of the collateralised assets.

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24. LOAN RECEIVABLES (Cont'd)

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

	2024 RMB'000	2023 RMB'000
Within one year	273,713	241,668
In more than one year but not more than two years	134,687	396,109
	408,400	637,777

The ranges of effective rates on the Group's loan receivables were 8% to 15% (2023: 8% to 15%) per annum as at 31 December 2024.

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

During the years ended 31 December 2024 and 2023, the Group had agreed to extend the loan maturity date with certain borrowers and the corresponding borrowings had been reclassified and presented as non-current. As at 31 December 2024, carrying amount of loan receivables of RMB277,862,000 (net of allowance of RMB233,438,000) (2023: RMB543,507,000 (net of allowance of RMB243,289,000)) were considered past due despite the extension of repayment due date. Details of impairment assessment are set out in Note 47.

25. DEFERRED TAX

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

	2024 RMB'000	2023 RMB'000
Deferred tax assets	131,498	165,980
Deferred tax liabilities	(511,040)	(409,578)
	(379,542)	(243,598)

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For the year ended 31 December 2024

25. DEFERRED TAX (Cont'd)

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

	Impairment, allowance for doubtful debts and accruals	Other long-term payables and deferred income	Tax losses	Assets booked at fair value on acquisition	Withholding tax on undistributed profits of PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	74,324	(18,076)	125,201	(418,075)	(32,191)	(268,817)
(Charged) credited to profit or loss	(6,945)	5,398	2,673	17,953	28,276	47,355
Derecognition of A subsidiary (Note 41)	(49)	–	(22,087)	–	–	(22,136)
At 31 December 2023	67,330	(12,678)	105,787	(400,122)	(3,915)	(243,598)
(Charged) credited to profit or loss	(16,715)	7,480	(34,624)	47,394	1,183	4,718
Hyperinflation Adjustment	–	–	–	(140,662)	–	(140,662)
At 31 December 2024	50,615	(5,198)	71,163	(493,390)	(2,732)	(379,542)

At the end of the reporting period, the Group had unused tax losses of RMB1,047,284,000 (2023: RMB1,012,860,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB284,652,000 (2023: RMB423,147,000) of such losses.

No deferred tax has been recognised in respect of the tax losses of RMB762,632,000 (2023: RMB589,713,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2024 RMB'000	2023 RMB'000
2027	–	14,414
2028	544,204	575,299
2029	218,428	–
	762,632	589,713

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2024, the Group recognised deferred taxation in respect of withholding tax of RMB2,732,000 (2023: RMB3,915,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2024, the Group has deductible temporary differences of RMB1,015,047,000 (2023: RMB757,099,000). A deferred tax asset has been recognised in respect of RMB202,460,000 (2023: RMB269,320,000) in relation to such deductible temporary difference.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

25. DEFERRED TAX (Cont'd)

As at 31 December 2024, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB6,052,415,000 (2023: RMB5,332,165,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of the non-PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB2,073,758,000 (2023: RMB1,475,413,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	1,096,912	722,185
Work in progress	498,882	425,213
Finished goods	264,363	251,264
	1,860,157	1,398,662

27. PROPERTIES UNDER DEVELOPMENT

	2024 RMB'000	2023 RMB'000
Properties under development	1,276,265	944,082
		RMB'000

Analysis of leasehold land:

As at 31 December 2024

Carrying amount	556,903

As at 31 December 2023

Carrying amount	556,903

The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2024 (2023: nil).

Details of properties under development pledged are set out in Note 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Trade receivables	1,523,948	1,333,019
Trade receivables backed by bills	269,214	401,636
	1,793,162	1,734,655
Less: Allowance for credit losses	(229,080)	(201,578)
	1,564,082	1,533,077
Other receivables (Note)	1,325,078	1,198,171
Less: Allowance for credit losses	(32,995)	(1,190)
	1,292,083	1,196,981
VAT recoverable	359,043	276,295
VAT refund receivable	5,661	4,680
Prepayments to suppliers	301,812	298,927
	3,522,681	3,309,960
Less:		
Non-current portion of other deposits (included in "other receivables" above)	(134,147)	(134,637)
	3,388,534	3,175,323

Details of trade receivables pledged are set out in Note 46, and details of amount due from joint venture are set out in Note 45.

Note: Included in other receivables are balances of approximately RMB377,758,000 (2023: RMB372,990,000) due from non-controlling interests of subsidiaries, which are non-trade nature, unsecured, interest free and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB1,254,034,000.

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

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

	2024 RMB'000	2023 RMB'000
0 to 90 days	524,520	600,152
91 to 180 days	330,671	227,533
181 to 360 days	491,404	183,777
361 to 720 days	154,682	243,000
Over 720 days	22,671	78,557
	1,523,948	1,333,019

As at 31 December 2024, included in trade receivables backed by bills represents total bills received amounting to RMB146,901,000 (2023: RMB126,031,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

The Group allows a credit period of 90 to 180 days to its certain trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB779,444,000 (2023: RMB557,825,000) which are past due as at the reporting date. Out of the past due balances, RMB456,356,000 (2023: RMB338,623,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 47.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

29. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2024 and 2023 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2024 RMB'000	2023 RMB'000
Carrying amount of transferred assets	146,901	126,031
Carrying amount of associated liabilities	146,901	126,031
Net position	–	–

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

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents		
— denominated in RMB	336,282	365,672
— denominated in USD	622,217	424,464
— denominated in other currencies	198,637	132,526
	1,157,136	922,662
Pledged/restricted bank deposits		
— denominated in RMB	1,106,083	941,707
— denominated in other currencies	278,237	255,962
	1,384,320	1,197,669

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short-term cash commitments, which carry interest at market rates range from 0.10% to 3.20% (2023: 0.15% to 3.40%) per annum.

Restricted/pledged bank deposits represent advances from purchaser for the pre-sale of the relevant development properties that are subject to regulatory restrictions and deposits pledged to banks to secure for bills payable and borrowings. Deposits amounting to RMB107,801,000 (2023: RMB70,000,000) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans		
— Secured	4,818,893	4,164,874
— Unsecured	2,270,599	2,187,343
	7,089,492	6,352,217
Carrying amount repayable as follows:		
— within one year	3,917,111	3,632,813
— more than one year but not more than two years	720,022	560,814
— more than two years but not more than five years	2,047,295	1,735,176
— within a period of more than five years	405,064	423,414
	7,089,492	6,352,217
Less: Amount due for settlement within one year and shown under current liabilities	(3,917,111)	(3,632,813)
Amounts shown under non-current liabilities	3,172,381	2,719,404

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

	2024 RMB'000	2023 RMB'000
Fixed rate borrowings:		
— repayable within one year	3,383,293	3,466,213
— repayable more than one year but not more than two years	404,423	282,014
— repayable more than two years but not more than five years	1,503,340	879,685
— repayable within a period of more than five years	347,064	345,414
	5,638,120	4,973,326
Variable rate borrowings		
— repayable within one year	533,818	166,600
— repayable more than one year but not more than two years	315,599	278,800
— repayable more than two years but not more than five years	543,955	855,491
— repayable within a period of more than five years	58,000	78,000
	1,451,372	1,378,891
	7,089,492	6,352,217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. BORROWINGS (Cont'd)

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

	2024	2023
Effective interest rate per annum:		
Fixed rate borrowings		
— The PRC	1.07% to 5.40%	0.70% to 6.48%
— Africa	6.33% to 22.25%	7.00% to 17.00%
Variable rate borrowings		
— The PRC	3.10% to 6.75%	3.65% to 6.75%
— Africa	3-month SOFR* +4.2%	7.00% to 17.00%

* SOFR refers to Secured Overnight Financing Rate

The Group's variable rate borrowings carry interest that reference to SOFR as at 31 December 2024 (reference to loan prime rate in the PRC).

In respect of a bank loan with carrying amount of RMB1,425,856,000 as at 31 December 2024 (2023: RMB1,515,611,000) raised by 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Shaanxi Yaobai"), 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli") and Great Lake Cement, subsidiaries of the Company, these subsidiaries are required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

Shaanxi Yaobai

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

Baihong Ouli

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

Great Lake Cement

- Debtor Service Cover Ratio ("DSCR") shall not be less than 1.5:1 starting from the 2nd anniversary of the date of the borrowing to the final maturity date (i.e. 11 July 2029).

DSCR means, (1) the aggregate of the earnings before interest, tax, depreciation and amortisation (EBITDA) minus capital expenditure minus charge in working capital and the current cash balance; to (2) the mounts of repayment, interests and any related costs fall due during the period.

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

Included in borrowing represents carrying amount of RMB1,988,000,000 (2023: RMB1,430,000,000) jointly guaranteed by either Mr. Zhang Jimin, the executive director or Mr. Zhang Jimin and his spouse.

Details of pledge of assets for the Group's secured bank loans are set out in Note 46.

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

32. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	2,409,928	1,966,030
Bill payables	214,550	313,000
	2,624,478	2,279,030
Payables for constructions and equipment purchase	3,902,791	1,929,682
Other tax liabilities	127,350	152,862
Payroll and welfare payable	85,023	67,515
Interest payables	61,111	41,221
Consideration payable	–	24,300
Other payables	346,671	254,580
Deposits payables	63,734	84,510
Other long-term payable — current portion (Note 37)	290,092	291,729
	7,501,250	5,125,429

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

	2024 RMB'000	2023 RMB'000
0 to 90 days	996,754	848,765
91 to 180 days	384,635	317,561
181 to 360 days	519,676	314,355
361 to 720 days	394,310	288,048
Over 720 days	114,553	197,301
	2,409,928	1,966,030

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For the year ended 31 December 2024

33. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of USD600,000,000 due in 2026 (the "Senior Notes") at 100% of the face value. The effective interest rate was approximately 5.18% per annum after adjusting for transaction costs. The Senior Notes were listed on the SEHK and guaranteed by certain subsidiaries of the Company.

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

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

Movement of carrying amount of Senior Notes is as below:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	4,324,193	4,204,158
Interest expenses	224,486	220,676
Interest paid	(213,037)	(210,175)
Exchange adjustment	134,173	109,534
Carrying amount at 31 December	4,469,815	4,324,193

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Real estate sales contract	727,378	300,728
Cement sales contracts	522,176	420,981
	1,249,554	721,709

As at 1 January 2023, contract liabilities amounted to RMB453,687,000.

Approximately RMB395,446,000 of contract liabilities brought forward from prior year had been recognised during the year ended 31 December 2024 (2023: RMB427,144,000).

The significant increase in contract liabilities as at 31 December 2024 in the current year was mainly due to the increase in advances from customers to purchase cement and related products and advance from purchaser for the pre-sale of the relevant development properties near the year end as at 31 December 2024.

35. ASSET RETIREMENT OBLIGATION

	2024 RMB'000	2023 RMB'000
At 1 January	358,178	335,693
Addition	24,705	34,336
Unwinding of discount	17,072	16,483
Utilisation of provision	(9,160)	(28,334)
At 31 December	390,795	358,178

During the year ended 31 December 2024, the Group recognised assets retirement obligation of RMB24,705,000 (2023: RMB34,336,000) relating to the acquired mining rights as disclosed in Note 19.

36. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants relating to acquisition of property, plant and equipment (<i>Note</i>)	20,928	25,654
Less: amounts expected to be recognised within one year	(5,491)	(4,850)
	15,437	20,804

Note: The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance is amortised based on the useful lives of respective property, plant and equipment from 3 to 12 years. RMB4,726,000 (2023: RMB6,127,000) was released to profit or loss and recorded in other income in the current reporting period.

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37. OTHER LONG-TERM PAYABLES

	2024 RMB'000	2023 RMB'000
Payable related to Dugongo (defined below) (Note a)	927,142	895,283
Payable for mining rights (Note b)	329,403	340,140
Provision for administrative penalty (Note c)	154,828	149,394
	1,411,373	1,384,817
Less: current portion (Note 32)	(290,092)	(291,729)
Amounts shown under non-current liabilities	1,121,281	1,093,088

Notes:

- (a) In 2020, the Group recorded USD174,788,000 (equivalent to RMB1,138,506,000) payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party. The payable is unsecured, with original repayment period from 2022 to 2026 (borne interest rate of 4.62% per annum), was extended to new repayment periods from 2025 to 2029 as at 31 December 2024 and bears new interest rate of 1.93% per annum.
- (b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實施辦法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.20% to 4.65% per annum.
- (c) During the year ended 31 December 2022, the Group received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group was ordered to pay a penalty that was measured based on a percentage of the total sales in the region during such period. The directors of the Company determined that the penalty order made by SXAMR was unjustified and the Group had filed an objection to the State Administration for Market Regulation ("SAMR") against the original order during the same year.

In October 2022, the proceeding of the objection to SAMR was temporary suspended and the Group and SXAMR was undergone arbitration on the penalty order. In March 2023, the Group and SXAMR could not reach to a settlement and the proceeding of objection was resumed. On 21 March 2023, SAMR upheld the original judgement made by SXAMR. In April 2023, the Group commenced an administrative litigation to Beijing Intellectual Property Court ("BJIPC") against the order from SXAMR and the result of objection from SAMR. In December 2023, BJIPC upheld the original judgement made by SXAMR and SAMR.

On 5 January 2024, the Group filed an appeal to The Supreme People's Court of the People's Republic of China (The "Supreme People's Court"). The Intellectual Property Court of the Supreme People's Court has held a hearing on this case on 22 October 2024, up to the date these consolidated financial statements are authorised for issue, the Group has yet to receive any judgment from the Supreme People's Court and no official result has been released yet.

The Group had made further provision of RMB5,433,000 in relation to the administrative penalty for the year ended 31 December 2024 (2023: RMB119,616,000) which represented the management's best estimate that an outflow of resources embodying economic benefits will be required to settle the obligation as at 31 December 2024 using discount rates of 3.45% to 3.95% per annum (31 December 2023: 3.45% to 3.95% per annum). As a 31 December 2024, the Group had provided RMB154,828,000 (2023: RMB149,394,000 (included in other payables) in respective of administrative penalty.

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38. SHARE CAPITAL

		Share capital	
	Number of shares '000	GBP'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2023, 31 December 2023 and 2024	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2023 and 31 December 2023	5,438,883	10,876	141,837
Issue of shares upon exercise of share options (note 43)	23,650	47	424
At 31 December 2024	5,462,533	10,923	142,261

39. RESERVES

Equity reserve

Equity reserve comprises:

- On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.
- On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.
- On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of Jianghua to acquire the remaining 20% equity interests in Jianghua from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.
- On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. RESERVES (Cont'd)

Equity reserve (Cont'd)

Equity reserve comprises: (Cont'd)

- (e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of Jiandaxin Engineering to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.
- (f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of Xinyida Hengzhong to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was credited directly to equity reserve.
- (g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of Baihong Ouli to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was debited directly to equity reserve.
- (h) During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. These assets, with original carrying amount of approximately USD201,804,000 (equivalent to RMB1,428,771,000), was revalued at approximately of USD214,758,000 (equivalent to RMB1,520,381,000) at the time of injection. Dugongo was liable to take up the respective payable of approximately USD201,804,000 (equivalent to RMB1,428,771,000) as a result of such injection. The difference of RMB89,477,000 (after deducting the capital contribution of RMB2,133,000 by the non-controlling shareholder) was deemed as the contribution from the non-controlling shareholder. Amount of RMB53,686,000 was directly credited to the equity reserve which represents the portion attributed to the Group as a result of such injection.
- (i) On 23 May 2023, the Group acquired 30.5% of equity interest in Paomashan from the non-controlling shareholder through court auction. The difference amounted to RMB89,910,000 between the consideration of RMB62,960,000 and the non-controlling interest increased of RMB26,950,000 was debited directly to equity reserve.
- (j) Ethiopia (one of the foreign operations of the Group) has been widely considered as a hyperinflationary economy, as defined in IAS 29. During the restatement process of the subsidiary's financial statements by the Group, the equity reserve was increased by RMB238,755,000 (2023: RMB336,706,000).

Statutory reserve

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

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

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40. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2023

On 30 September 2022, the Group entered into a sale and purchase agreement with 華商基業文化發展有限公司 Huashang Jiye Cultural Development Co., Ltd* (the "Seller") to acquire the remaining 50% equity interests in a joint venture Ankang Baicheng Real Estate Co., Ltd ("Baicheng Real Estate") at a total consideration of RMB10,000,000.

On 1 February 2023, the acquisition was completed and the Group obtained control over the operation of Baicheng Real Estate. After the acquisition, the Group owned 100% equity interests in Baicheng Real Estate. Baicheng Real Estate is principally engaged in real estate development and operation.

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

The consideration of RMB10,000,000 is fully settled by the amount due from the Seller.

* The English name is for identification purpose only.

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

	RMB'000
<i>Assets</i>	
Other receivables and prepayments	30,744
Properties under development	699,106
Property, plant and equipment	445
Restricted bank deposits	5,691
Bank balances and cash	4,485
<i>Liabilities</i>	
Borrowings from the Group	(516,004)
Amount due to the Group	(118,823)
Trade and other payables	(70,126)
Contract liabilities	(15,518)
Net assets acquired	20,000
Net assets acquired attributable to:	
— owners of the Company	20,000

Cash inflow arising on acquisition of Baicheng Real Estate

	RMB'000
Cash and cash equivalents acquired	4,485

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For the year ended 31 December 2024

41. DISPOSAL/DERECOGNITION OF A SUBSIDIARY

For the year ended 31 December 2024

During the current year, the Group entered into a sale agreement to dispose its 100% equity interest in 西安市新城區光信小額貸款有限公司 Xi'an Xincheng District Guangxin Small Loan Co., Ltd.* ("Guangxin Loan") for a consideration of RMB111,240,000 that carried out a small loans business to an independent third party. The disposal was completed on 31 January 2024, on which the Group lost control over Guangxin Loan.

	As at 31 January 2024 RMB'000
Analysis of assets and liabilities over which control were lost:	
Bank balances and cash	1
Amount due from the Group	108,359
Net assets disposed of	108,360
Gain on disposal of a subsidiary:	
Considerations received in cash	29,970
Consideration receivable (included in "other receivables")	81,270
Gain on disposal	2,880
Net cash inflow arising on disposal:	
Cash consideration	29,970
Bank balances and cash disposed of	(1)
	29,969

* The English name is for identification purpose

For the year ended 31 December 2023

On 10 July 2023, one of the creditors of Paomashan lodged a filing to the People's Court of Kangding City, the PRC (the "Kangding People's Court") to liquidate Paomaoshan for default. On 5 September 2023, the Kangding People's Court appointed liquidation administrator to take over the control of Paomashan. As such, the directors of the Company assessed and concluded the Group lost control over Paomashan and Paomashan was derecognised as a subsidiary to the Group during the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

41. DISPOSAL/DERECOGNITION OF A SUBSIDIARY (Cont'd)

For the year ended 31 December 2023 (Cont'd)

Analysis of assets and liabilities over which control was lost:

	RMB'000
<i>Assets</i>	
Trade and other receivables and prepayments	40,694
Other current assets	3,898
Inventories	55,610
Deferred tax asset	22,136
Other intangible assets	226
Property, plant and equipment	575,766
Cash and cash equivalents	1,738
<i>Liabilities</i>	
Borrowings from the Group	(727)
Bank borrowing	(47,800)
Trade and other payables	(737,710)
Contract liabilities	(9,027)
Net liabilities derecognised	(95,196)

Loss on derecognition of a subsidiary

	RMB'000
Net liabilities derecognised	95,197
Derecognition of goodwill at Group level	(70,839)
Reversal of non-controlling interests	(14,158)
Impairment loss on receivables due from Paomashan	(265,851)
Loss on disposal	(255,651)

The Group recognised an impairment loss of receivables of approximately RMB265,851,000 during the year ended 31 December 2023, which represented the Group's best estimate after taking into consideration all the available facts. The receivables from Paomashan, net of the impairment loss, of RMB179,175,000 were recognised by the Group upon derecognition of the subsidiary and included in the other receivables as at 31 December 2023.

During the year ended 31 December 2024, based on Group's assessment on the status of the liquidation of Paomashan and legal advice, impairment loss of RMB33,754,000 has been made on the receivables from Paomashan. As at 31 December 2024, the receivables from Paomashan, net of the impairment loss, of RMB145,421,000 are included in the other receivables.

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For the year ended 31 December 2024

41. DISPOSAL/DERECOGNITION OF A SUBSIDIARY (Cont'd)

For the year ended 31 December 2023 (Cont'd)

Loss on derecognition of a subsidiary (Cont'd)

During the year ended 31 December 2024, the liquidator set out several online public auctions of the qualifications of the potential investor for the reorganisation and was still unsold. On 27 December 2024, 康定市新綠川環保有限公司 Kangding New Lvchuan Environmental Protection Co., Ltd* (hereinafter referred to as "New Lvchuan"), a subsidiary of the Group, entered into an investment agreement ("Investment Agreement") with the liquidator to acquire 100% equity interest of Paomashan at a consideration of RMB138,829,000. In January 2025, the Court approved the Investment Agreement and terminated the liquidation process of Paomashan. As at 31 December 2024 and up to the date these consolidated financial statements are authorised for issue, the acquisition has yet to be completed and is still subject to satisfaction of certain conditions precedent.

* The English name is for identification purpose.

42. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,680,909	2,668,325

43. SHARE-BASED PAYMENTS

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

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

Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant. Options may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately HKD1.04, HKD0.58, HKD0.41 and HKD0.56 at the respective grant date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

43. SHARE-BASED PAYMENTS (Cont'd)

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

Fair value of the share options

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

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

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2024 and 2023:

Year ended 31 December 2024

					Number of options ('000)				
					Outstanding at 1.1.2024	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2024
Third Issuance	24 March 2014	Expired	24 March 2015 to 23 March 2024	HKD0.91	21,150	-	15,450	5,700	-
Forth Issuance	13 April 2015	3 months	13 April 2016 to 12 April 2025	HKD1.45	16,700	-	8,200	1,600	6,900
					37,850	-	23,650	7,300	6,900
Exercisable at the end of the year									6,900
Weighted average exercise price									HKD1.45

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

43. SHARE-BASED PAYMENTS (Cont'd)

Fair value of the share options (Cont'd)

Year ended 31 December 2023

	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Number of options ('000)				
					Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2023
Second Issuance	22 March 2013	Expired	22 March 2014 to 21 March 2023	HKD1.25	10,050	–	–	10,050	–
Third Issuance	24 March 2014	3 months	24 March 2015 to 23 March 2024	HKD0.91	21,900	–	–	750	21,150
Forth Issuance	13 April 2015	1 year 3 months	13 April 2016 to 12 April 2025	HKD1.45	24,700	–	–	8,000	16,700
					56,650	–	–	18,800	37,850
Exercisable at the end of the year									37,850
Weighted average exercise price									HKD1.15

During the year ended 31 December 2024, 23,650,000 share options were exercised at the weighted average exercise price of HKD1.10 per share or approximately RMB1.01 per share at the weighted average exchange rate of HKD1: RMB0.915 and 7,300,000 share options (2023: 18,800,000) were lapsed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

44. RETIREMENT BENEFITS PLANS

The Group participate in the Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The MPF Scheme now requires the Group and its employees in Hong Kong to contribute 5% of the employees' monthly salary to the MPF Scheme subject to a monthly salary cap of HKD30,000.

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

All other subsidiaries paid for retirement benefit and other social securities according to the local regulations for their own employees.

The total expense recognised in the profit or loss of RMB63,966,000 (2023: RMB67,362,000) represents contributions paid or payable under the retirement benefit scheme.

45. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Companies	Nature of Balances/transactions	As at/ For the year ended 31 December 2024 RMB'000	As at/ For the year ended 31 December 2023 RMB'000
Anda International Logistics (DRC), Limited*	Trade receivables	89,327	74,869
Anda International Logistics (DRC), Limited*	Rental income	25,755	8,005
Anda International Logistics (DRC), Limited*	Transportation services provided to the Group	44,466	16,393

* The Group holds a 49% equity stake in the Anda International Logistics (DRC), Limited, which is insignificant to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

45. RELATED PARTY DISCLOSURES (Cont'd)

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

Key management compensation

	2024 RMB'000	2023 RMB'000
Salaries and allowances	11,614	10,803
Performance related bonus	–	4,232
Retirement benefits	148	120
	11,762	15,155

46. ASSETS PLEDGED FOR SECURITY

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

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	2,437,717	4,726,510
Trade receivables	2,550	1,910
Right-of-use assets	149,125	179,490
Properties under development	516,000	556,903
Pledged bank deposits	1,380,324	1,008,676
	4,485,716	6,473,489

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS

a. Capital risk management

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

The capital structure of the Group consists of net debts (borrowings and senior notes as detailed in Notes 31 and 33, respectively, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity).

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

b. Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	5,806,021	5,488,166
— Equity investment at FVTPL	36,217	37,128
Financial liabilities		
— Amortised cost	19,875,007	16,654,571

c. Financial risk management objectives and policies

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

Market risks

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

(i) Foreign currency risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risks (Cont'd)

(i) Foreign currency risk (Cont'd)

	Liabilities		Assets	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
The USD	6,066,375	4,324,193	621,807	411,013
Euros ("EUR")	–	1 40,388	2,805	1,199
	6,066,375	4,464,581	624,612	412,212
Other foreign currency (including HKD, MZN, ETB ("Ethiopian Birr"), and Singapore Dollar, etc.)	123,953	–	23,910	3,104
Total	6,190,328	4,464,581	648,522	415,316

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

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2023: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB204,171,000 (2023: RMB146,744,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, pledged/restricted bank deposits, fixed-rate borrowings and senior notes (as detailed in Notes 24, 30, 31 and 33, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 31) and bank balances (Note 30).

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

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

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2024 would be decreased/increased by approximately RMB5,443,000 (2023: RMB5,171,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risks (Cont'd)

(iii) Other price risk

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

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to its trade and other receivables, loan receivables, other deposits, bank balances, and restricted/pledged bank deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for loan receivables and trade receivables backed by bills.

Trade receivables arising from contracts with customers

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

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 2024 and 2023 within lifetime ECL. Debtors with significant and credit-impaired balances with gross carrying amounts of RMB594,446,000 (2023: RMB385,389,000) as at 31 December 2024 were assessed individually. The Group recognised expected credit loss amounted to approximately RMB88,875,000 (2023: RMB41,167,000) in respect of these balances.

As at 31 December 2024

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.36%	389,343
1 to 90 days past due	1.09%	203,428
91 to 360 days past due	39.75%	275,833
Over 360 days past due	44.22%	60,898
		929,502

As at 31 December 2023

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.59%	386,364
1 to 90 days past due	1.76%	200,747
91 to 360 days past due	41.43%	259,039
Over 360 days past due	46.59%	101,480
		947,630

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

As at 31 December 2024, the Group recognises an impairment allowance of RMB140,205,000 (2023: the Group recognised an impairment allowance of RMB160,411,000) based on the provision matrix.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Loan receivables

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

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

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

As at 31 December 2024, the Group recognised an impairment allowance of RMB242,900,000 (2023: RMB249,019,000) based on credit risk assessment for loan receivables.

Cash and cash equivalents and pledged/restricted bank deposits

The credit risks on cash and cash equivalents and pledged/restricted bank deposits are limited because the counterparties are reputational banks/financial institutions with high credit ratings internationally/locally.

Other receivables

Except for the credit-impaired other receivables, other receivables that is measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. The management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information. As at 31 December 2024, the Group recognised an impairment allowance of RMB32,995,000 (2023: RMB1,190,000) based on credit risk assessment for other receivables.

Notes to the Consolidated Financial Statements

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47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Other receivables (Cont'd)

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

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

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For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount		2023 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
— Loan receivables	24	N/A	Low risk	12m ECL	140,000		100,000	
			Doubtful	Lifetime ECL — not credit-impaired	311,500		573,900	
			Loss	Lifetime ECL — credit-impaired	199,800	651,300	212,896	886,796
— Trade receivables backed by bills	28	N/A	(note 2)	12m ECL	269,214	269,214	401,636	401,636
— Trade receivables	28	N/A	(note 3)	Lifetime ECL (provision matrix)	929,502		947,630	
			Watch list	Lifetime ECL (significant balances, individually assessed)	588,211		379,154	
			Loss	Lifetime ECL (credit-impaired)	6,235	1,523,948	6,235	1,333,019
— Other receivables	28	N/A	(note 1)	12m ECL	1,082,115		207,202	
				Lifetime ECL	242,963	1,325,078	990,969	1,198,171
— Cash and cash Equivalent (Bank balances)	30	N/A	(note 4)	12m ECL	1,157,136	1,157,136	902,002	902,002
— Pledged/restricted bank deposits	30	N/A	(note 4)	12m ECL	1,384,320	1,384,320	1,199,704	1,199,704

Notes:

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

	Past due RMB'000	Not past due RMB'000	Total RMB'000
2024			
Other receivables	242,963	1,082,115	1,325,078
2023			
Other receivables	207,202	990,969	1,198,171

2. The Group set different categories for customers settling with bills according to the internal credit rating assessment. The Group does not accept bills from customers with lower credit ratings.
3. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.
4. These bank balances were placed in banks with good reputational banks internationally/locally.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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 2023	178,924	735	179,659
Changes due to financial instruments recognised as at 1 January 2023:			
— Transfer to credit-impaired	(5,895)	5,895	–
— Impairment losses recognised	13,605	–	13,605
— Impairment losses reversed	(73,041)	(375)	(73,416)
— Write-offs	–	(21)	(21)
New financial assets originated or purchased	81,751	–	81,751
As at 31 December 2023	195,344	6,234	201,578
Changes due to financial instruments recognised as at 1 January 2024:			
— Impairment losses recognised	71,406	–	71,406
— Impairment losses reversed	(153,525)	–	(153,525)
New financial assets originated or purchased	111,336	–	111,336
Foreign exchange realignment	(1,715)	–	(1,715)
As at 31 December 2024	222,846	6,234	229,080

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

	2024		2023	
	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000
Trade debtors with gross carrying amount of RMB177,354,000 recognised at 1 January 2024 (2023: RMB321,558,000)	69,691	–	13,605	–
One trade debtor with a gross carrying amount of nil (2023: RMB5,895,000) defaulted and transferred to credit-impaired	–	–	(5,895)	5,895
Settlement in full of trade debtors with a gross carrying amount of RMB1,155,665,000 (2023: RMB932,476,000)	(153,525)	–	(73,041)	(375)
New trade receivables with gross carrying amount of RMB1,346,594,000 (2023: RMB1,011,461,000)	111,336	–	81,751	–

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	4,896	81,984	165,934	252,814
Changes due to financial instruments recognised as at 1 January 2023				
— Transfer to credit-impaired	–	(3,692)	3,692	–
— Impairment losses recognised	–	5,426	24,105	29,531
— Impairment losses reversed	(4,896)	(45,919)	(21,334)	(72,149)
New financial assets originated or purchased	5,730	33,093	–	38,823
As at 31 December 2023	5,730	70,892	172,397	249,019
Changes due to financial instruments recognised as at 1 January 2024				
— Impairment losses recognised	1,029	16,242	15,750	33,021
— Impairment losses reversed	–	(30,996)	(10,847)	(41,843)
New financial assets originated or purchased	2,703	–	–	2,703
As at 31 December 2024	9,462	56,138	177,300	242,900

The average loss rate of loan receivables for the year is 37.3% (2023: 28.1%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Changes in the loss allowance for loan receivables are mainly due to:

	31 December 2024		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB40,000,000 (2023: RMB411,600,000)	2,703	–	–
Settlement in full of loan receivables with a gross carrying amount of RMB241,300,000 (2023: RMB489,407,000)	–	(30,996)	(10,847)
Past due loan receivables with a gross carrying amount of RMB111,300,000 (2023: RMB786,796,000)	1,029	16,242	15,750
	3,732	(14,754)	4,903

	31 December 2023		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB411,600,000 (2022: RMB101,600,000)	5,730	33,093	–
Settlement in full of loan receivables with a gross carrying amount of RMB489,407,000 (2022: RMB326,965,000)	(4,896)	(45,919)	(21,334)
Past due loan receivables with a gross carrying amount of RMB786,796,000 (2022: RMB985,446,000)	–	1,734	27,797
	834	(11,092)	6,463

During the year ended 31 December 2024, the Group recognised an impairment loss for other receivables of RMB31,805,000 (2023: RMB344,000) and the Group write off other receivables of nil (2023: nil). The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings and senior notes and ensures compliance with relevant agreements covenants.

As at 31 December 2024, the Group has net current liabilities position of approximately RMB3,560,363,000. Given that (1) the Group has unused banking facility of approximately RMB1,082,482,000 as at 31 December 2024, which is available for drawdown and utilisation in the course of ordinary business; and subsequent to the reporting date, (2) the Group has obtained additional banking facilities of approximately RMB1,460,000,000, which is made available for the Group to utilise at the date of granting such facilities; (3) the Group had been in negotiation with certain financial institutions that have expressed intention to offer to the Group new banking facilities. The Group received banking facility proposals and/or letter of intent amounting to RMB4,729,622,000 from those financial institutions; (4) the Group had reached agreement with several suppliers for deferred payment arrangement and the amount of RMB430,676,000, which was originally classified as current liability, was successfully deferred beyond twelve months from 31 December 2024; and (5) the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future. The directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024							
Trade and other payables	-	6,780,014	394,310	114,553	-	7,288,877	7,288,877
Other long-term payables	2.84%	-	325,307	493,261	260,824	1,079,392	966,453
Borrowings							
— variable rates	4.08%	578,872	351,262	583,859	59,117	1,573,110	1,451,372
— fixed rates	7.09%	3,657,632	571,936	1,777,536	391,406	6,398,510	5,638,120
Dividend payables	-	60,370	-	-	-	60,370	60,370
Senior notes	4.95%	216,774	4,492,121	-	-	4,708,895	4,469,815
		11,293,662	6,134,936	2,969,209	711,347	21,109,154	19,875,007

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For the year ended 31 December 2024

47. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Trade and other payables	–	4,419,703	288,048	197,301	–	4,905,052	4,905,052
Other long-term payables	4.45%	–	317,214	487,185	289,153	1,093,552	943,694
Borrowings							
— variable rates	4.50%	228,323	324,433	903,208	81,735	1,537,699	1,378,891
— fixed rates	4.91%	3,665,689	430,507	1,256,458	644,551	5,997,205	4,973,326
Dividend payables	–	129,415	–	–	–	129,415	129,415
Senior notes	4.95%	210,785	210,785	4,368,004	–	4,789,574	4,324,193
		8,653,915	1,570,987	7,212,156	1,015,439	18,452,497	16,654,571

d. Fair values of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group used market-observable data to the extent that is available.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

Name	Fair value as at	Fair value hierarchy	Valuation techniques and key input(s)
	31/12/2024 RMB'000	31/12/2023 RMB'000	
Equity investment at FVTPL	36,217	37,128	Level 1 Quoted bid price in an active market

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of the financial assets and liabilities recorded at amortised cost are determined in accordance with the generally accepted pricing model based on discounted cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Senior notes	Medium-term notes	Dividend Payables	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Note)	
At 1 January 2023	4,614,450	4,204,158	714,431	88,410	2,076	9,623,525
Financing cash flows	1,537,257	(210,175)	(749,000)	(385,656)	–	192,426
Non-cash financing activities:						
Interest expenses	249,653	220,676	34,569	–	39,145	544,043
Foreign exchange difference	2,636	109,534	–	(1,364)	–	110,806
Hyperinflation restatement	(3,979)	–	–	–	–	(3,979)
Derecognition of a subsidiary	(47,800)	–	–	–	–	(47,800)
Dividend tax withheld	–	–	–	(8,474)	–	(8,474)
Dividends declared	–	–	–	364,405	–	364,405
Dividend declared to a non-controlling shareholder	–	–	–	72,094	–	72,094
At 31 December 2023	6,352,217	4,324,193	–	129,415	41,221	10,847,046
Financing cash flows	584,054	(213,037)	–	(309,448)	–	61,569
Non-cash financing activities:						
Interest expenses	296,179	224,486	–	–	19,890	540,555
Foreign exchange difference	(142,958)	134,173	–	2,105	–	(6,680)
Dividends declared	–	–	–	125,094	–	125,094
Dividend declared to a non-controlling shareholder	–	–	–	113,204	–	113,204
At 31 December 2024	7,089,492	4,469,815	–	60,370	61,111	11,680,788

Note: Interest payables are included in trade and other payables (Note 32).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2024	2023	
Indirectly held						
West China BVI	Ordinary	British Virgin Islands	HKD7,800	100%	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HKD100	100%	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	100%	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd.* 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	100%	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd.* 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	100%	100%	Production and sale of cement
Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	100%	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd.* 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	100%	100%	Purchase and sale of raw materials
Xixiang 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	100%	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	100%	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	100%	100%	Production and sale of cement

* The English name is for identification purpose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows: (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2024	2023	
Jianghua 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement
Hancheng 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	80%	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	100%	100%	Production and sale of cement
Shifeng 陝西實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Fuping 陝西富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	100%	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	100%	100%	Production and sale of cement
Yili Yaobai 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Yaowangshan 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd.* ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	100%	100%	Finance lease business
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	100%	100%	Transportation

* The English name is for identification purpose.

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For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows: (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2024	2023	
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement
Shaanxi Fuda Mining Engineering Co., Ltd* 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	100%	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
Yaibai International Holding Limited (formerly known as West International Holding Limited) ("WIH Cement") 堯柏國際控股有限公司 (曾用名：西部國際 控股有限公司)	Ordinary	Hong Kong	HKD100	100%	100%	Investment holding
Xinyida Jiancai 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	60%	60%	Sale of cement and related material
Xinyida Hengzhong 陝西新意達恒眾混凝土有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	60%	60%	Sale of cement and related material
Dugongo	Ordinary	Mozambique	MZN 100,000,000	60%	60%	Production and sale of cement and related material
Hongxing Glass Congo SARL ("Hongxing Glass")	Ordinary	Republic of Congo	XAF100,000,000	100%	100%	Production and sale of glass
Shangnan Hucongping Mining Development Co., Ltd.* 商南葫草坪礦業開發有限公司	Ordinary	Shaanxi, PRC	RMB11,960,766	100%	100%	Exploitation and sales of mines
Shaanxi Jinping Mining Co., Ltd. 陝西金平礦業有限公司	Ordinary	Shaanxi, PRC	RMB5,000,000	60%	60%	Exploitation and sales of mines
NCSC	Ordinary	Ethiopia	ETB833,210,000	62%	62%	Production and sale of cement and related material

* The English name is for identification purpose.

Notes to the Consolidated Financial Statements

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows: (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2024	2023	
Great Lake Cement	Ordinary	Democratic Republic of Congo	USD100	100%	100%	Production and sale of cement and related material
Baicheng Real Estate	Ordinary	Shaanxi, PRC	RMB10,000,000	100%	100%	Real estate development and operation
Andijan Western Holding Cement Co., Ltd. 安集延西部控股水泥有限公司	Ordinary	Uzbekistan	UZS425,645,600	77%	77%	Production and sale of cement and related material
SLN — Fabrica de Cimento e de Clinker de Benguela, S.A.(SLN) SLN 本格拉公司	Ordinary	Angola	AOA659,000,000	90%	90%	Production, manufacturing, and wholesale sales of gypsum board
WIH Rwanda Cement CO., Ltd 西部國際控股盧旺達水泥有限公司	Ordinary	Rwanda	RWF1,000,000	100%	100%	Green commodity concrete, precast components, prefabricated building research and development, design, production, construction, sales
Lemi National Cement PLC 萊米國家水泥有限公司	Ordinary	Ethiopia	ETB100,199,000	62%	62%	Production and sale of cement and related material

* The English name is for identification purpose.

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

- (a) Except for West China BVI, Faithful Alliance, Dugongo, Hongxing Glass, NCSC, Great and Lake Cement, SLN, WIH Rwanda Cement CO., Ltd, LEMI NATIONAL CEMENT PLC, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.
- (b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.
- (c) None of the subsidiaries had issued any debt securities during the year.

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive expense (income) allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Hancheng Yaobai	Shaanxi, PRC	20%	20%	(11,594)	(4,668)	35,925	47,519
Dugongo	Moçambique	40%	40%	72,312	87,602	497,044	424,732
Xinyida Hengzhong	Shaanxi, PRC	40%	40%	(27,033)	381	7,168	55,785
NCSC	Ethiopia	38%	38%	(534,319)	176,995	598,163	1,224,104
Individually immaterial subsidiaries with non-controlling interests				255,746	(5,679)	410,008	132,365
Total				(244,888)	254,631	1,548,308	1,884,505

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Hancheng Yaobai

Summarised financial information of Hancheng Yaobai which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2024 RMB'000	2023 RMB'000
Current assets	149,958	186,010
Non-current assets	115,393	172,291
Current liabilities	85,724	81,708
Non-current liabilities	–	39,000
Equity attributable to owners of the Company	143,702	190,074
Non-controlling interests	35,925	47,519
	2024 RMB'000	2023 RMB'000
Revenue	128,201	179,451
Expenses	(186,171)	(202,790)
Loss and total comprehensive expense for the year	(57,970)	(23,339)
Loss and total comprehensive expense attributable to:		
— owners of the Company	(46,376)	(18,671)
— non-controlling interests	(11,594)	(4,668)
Net cash inflow from operating activities	56,639	23,398
Net cash outflow from investing activities	(23,828)	(43,639)
Net cash (outflow) inflow from financing activities	(51,979)	39,924
Net cash (outflow) inflow	(19,168)	19,683

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo

Summarised financial information of Dugongo which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2024 RMB'000	2023 RMB'000
Current assets	826,324	565,113
Non-current assets	2,939,229	2,967,114
Current liabilities	617,997	1,381,704
Non-current liabilities	1,904,945	1,088,694
Equity attributable to owners of the Company	745,567	637,097
Non-controlling interests	497,044	424,732

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo (Cont'd)

	2024 RMB'000	2023 RMB'000
Revenue	1,009,237	979,052
Expenses	(849,699)	(768,896)
Profit attributable to:		
— owners of the Company	95,723	126,094
— non-controlling interests	63,815	84,062
Profit for the year	159,538	210,156
Other comprehensive income attributable to:		
— owners of the Company	12,745	5,310
— non-controlling interests	8,497	3,540
Other comprehensive income for the year	21,242	8,850
Total comprehensive income attributable to:		
— owners of the Company	108,468	131,404
— non-controlling interests	72,312	87,602
Total comprehensive income for the year	180,780	219,006
Net cash inflow from operating activities	114,760	232,772
Net cash outflow from investing activities	(199,151)	(103,871)
Net cash inflow (outflow) from financing activities	94,999	(147,713)
Net cash inflow (outflow)	10,608	(18,812)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Xinyida Hengzhong

Summarised financial information of Xinyida Hengzhong which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2024 RMB'000	2023 RMB'000
Current assets	114,151	201,499
Non-current assets	23,810	10,139
Current liabilities	120,042	72,175
Equity attributable to owners of the Company	10,751	83,678
Non-controlling interests	7,168	55,785

	2024 RMB'000	2023 RMB'000
Revenue	81,620	99,705
Expenses	(149,205)	(98,753)
(Loss) profit and total comprehensive (expense) income for the year	(67,585)	952
(Loss) profit and total comprehensive (expense) income attributable to:		
— owners of the Company	(40,552)	571
— non-controlling interests	(27,033)	381
Dividends declared to non-controlling interests	21,582	–
Purchase of non-controlling interests	–	7,140
Net cash inflow from operating activities	8,681	2,697
Net cash inflow (outflow) from investing activities	287	(113)
Net cash outflow from financing activities	(251)	(4,258)
Net cash inflow (outflow)	8,717	(1,674)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC

Summarised financial information of NCSC which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2024 RMB'000	2023 RMB'000
Current assets	996,246	1,984,133
Non-current assets	3,258,089	2,222,404
Current liabilities	1,957,010	443,559
Non-current liabilities	723,627	542,500
Equity attributable to owners of the Company	975,535	1,996,374
Non-controlling interests	598,163	1,224,104

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC (Cont'd)

	2024 RMB'000	2023 RMB'000
Revenue	610,219	1,320,232
Expenses	(354,648)	(819,501)
Profit attributable to:		
— owners of the Company	158,428	310,403
— non-controlling interests	97,143	190,328
Profit for the year	255,571	500,731
Dividends declared to non-controlling interests of NCSC	91,622	72,094
Other comprehensive expense attributable to:		
— owners of the Company	(1,029,841)	(21,745)
— non-controlling interests	(631,462)	(13,333)
Other comprehensive expense for the year	(1,661,303)	(35,078)
Total comprehensive (expense) income attributable to:		
— owners of the Company	(871,413)	288,658
— non-controlling interests	(534,319)	176,995
Total comprehensive (expense) income for the year	(1,405,732)	465,653
Net cash inflow from operating activities	385,411	449,164
Net cash outflow from investing activities	(754,800)	(894,919)
Net cash inflow (outflow) from financing activities	389,308	(39,746)
Net cash inflow (outflow)	19,919	(485,501)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

50. EVENTS AFTER THE REPORTING PERIOD

Other than the matters set out in Notes 3 and 41 and the following acquisition, the Group had no material event after the end of the reporting period.

Acquisition of a majority equity interest in Cimenterie de Lukala SA ("CILU")

On 27 January 2025, WIH Cement, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with an independent party and its subsidiaries (collectively referred as the "Seller"), and the Company, pursuant to which WIH Cement conditionally agreed to acquire 1,574,904 shares of CILU (representing 91.02% of its issued share capital) for a consideration of USD3,700,069 (equivalent to approximately RMB27,006,000), subject to customary closing adjustments.

On the same day, WIH Cement entered into another agreement with the Seller conditionally agreed to assign certain loan receivables to WIH Cement for an amount of USD115,950,000 (equivalent to approximately RMB864,296,000), subject to agreed closing adjustments.

Up to the date these consolidated financial statements are authorised for issue, the acquisition has yet to be completed and is subject to satisfaction of certain conditions precedent. Details are set out in the announcement of the Company dated 27 January 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	1,700,742	1,700,742
Property, plant and equipment	36	65
Amounts due from subsidiaries	8,845,397	8,105,026
Equity investment at FVTPL	36,217	37,128
	10,582,392	9,842,961
Current assets		
Other receivables and prepayments	53,118	281,064
Cash and cash equivalents	128,587	126,650
	181,705	407,714
Current liabilities		
Amounts due to subsidiaries	241,922	241,230
Other payables	6	2,256
	241,928	243,486
Net current (liabilities) assets	(60,223)	164,228
Total assets less current liabilities	10,522,169	10,007,189
Non-current liability		
Senior notes	4,469,815	4,324,193
Net assets	6,052,354	5,682,996
Capital and reserves		
Share capital	142,261	141,837
Share premium and reserves	5,910,093	5,541,159
	6,052,354	5,682,996

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movements in reserves

	Share premium RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	1,354,026	22,724	3,475,844	4,852,594
Profit and total comprehensive income for the year	–	–	1,052,970	1,052,970
Exercise/lapse of share-based payments	–	(4,743)	4,743	–
Dividends recognised as distribution	(364,405)	–	–	(364,405)
At 31 December 2023	989,621	17,981	4,533,557	5,541,159
Profit and total comprehensive income for the year	–	–	470,592	470,592
Exercise/lapse of share-based payments	32,047	(14,922)	6,311	23,436
Dividends recognised as distribution	(125,094)	–	–	(125,094)
At 31 December 2024	896,574	3,059	5,010,460	5,910,093

Group Financial Summary

RESULTS

		For the year ended 31 December			
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	8,344,946	9,020,901	8,489,135	8,002,791	7,131,052
Profit (loss) before tax	1,090,182	954,309	1,513,299	2,083,591	1,847,456
Income tax expense	(262,327)	(263,608)	(169,184)	(300,639)	(264,494)
Total comprehensive income (expense) for the year	(320,058)	624,332	1,308,402	1,871,582	1,579,410
Attributable to:					
Owners of the Company	(75,170)	369,701	1,190,988	1,640,021	1,556,928
Non-controlling interests	(244,888)	254,631	117,414	231,561	22,482
	(320,058)	624,332	1,308,402	1,871,582	1,579,410

ASSETS AND LIABILITIES

		At 31 December			
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	36,289,921	32,902,850	30,239,253	26,648,351	18,906,232
Total liabilities	(22,473,436)	(18,734,900)	(16,847,502)	(14,856,724)	(8,379,015)
	13,816,485	14,167,950	13,391,751	11,791,627	10,527,217
Equity attributable to:					
Owners of the Company	12,268,177	12,283,445	12,031,353	11,313,548	10,330,802
Non-controlling interests	1,548,308	1,884,505	1,360,398	478,079	196,415
	13,816,485	14,167,950	13,391,751	11,791,627	10,527,217

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

(incorporated in Jersey with limited liability)

OPINION

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessments of cash-generating units ("CGUs") with goodwill and CGUs without goodwill

As disclosed in Note 21 to the consolidated financial statements, the total carrying amount of goodwill and property, plant and equipment, right-of-use assets and mining rights which belong to CGUs that are subject to impairment assessment as at 31 December 2023 were RMB6,499,420,000. The Group recognised impairment loss approximately RMB69,587,000 in respect of the impairment assessments for this year.

CGUs where goodwill is not allocated are tested for impairment when there is an indication for impairment, while CGUs with goodwill allocated are tested for impairment annually or more frequently when there is an indication for impairment. As further detailed in Note 4 to the consolidated financial statements, the Group exercised judgement and made estimation, particularly in assessing: (1) whether the carrying amount of CGUs comprising goodwill, property, plant and equipment, right-of-use assets and mining rights can be supported by the recoverable amounts; and (2) the appropriate key inputs to be applied in estimating the recoverable amounts included in the cash flow projections, including growth rates and discount rates.

We identified the impairment assessments of CGUs where goodwill is allocated and CGUs where goodwill is not allocated with impairment indicator(s) as a key audit matter as the financial significance of these assets to the Group, as well as the recoverable amount calculations involves significant management estimations with respect to the key assumptions adopted in the underlying cash flow forecasts of the CGUs.

Our procedures in relation to the impairment assessment of CGUs with goodwill and CGUs without goodwill included:

- Understanding the management's consideration and process for the identification of impairment indicator(s) of the CGUs comprising property, plant and equipment, right-of-use assets and mining rights;
- Obtaining an understanding of the Group's key controls on how the management assess the impairment of CGUs which the relevant property, plant and equipment, right-of-use assets and mining rights belong to, and/or the goodwill is allocated to, and the preparation of the cash flow forecasts, including the key assumptions and inputs;
- Obtaining the cash flow forecasts of relevant CGUs prepared by the management, and selecting cash flow forecasts on a sampling basis.

For the cashflow forecasts selected:

- obtaining an understanding on the assumptions pertaining to key inputs adopted and checking the mathematical accuracy;
- Assessing the reasonableness of the growth rates applied based on historical results and market trends, and;
- With the support of our internal specialist, evaluating the appropriateness of the impairment model used and the reasonableness of discount rates adopted by the Group.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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



Independent Auditor's Report

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	9,020,901	8,489,135
Cost of sales		(6,560,882)	(6,307,305)
Gross profit		2,460,019	2,181,830
Other income	6	142,719	451,912
Selling and marketing expenses		(132,386)	(75,197)
Administrative expenses		(796,404)	(604,845)
Other expenses	11	(200,429)	(64,937)
Other gains and losses, net	7	(277,668)	(52,454)
Impairment losses under expected credit loss model, net of reversal	8	(18,489)	(68,885)
Share of result of a joint venture		(3,403)	(6,407)
Interest income	9	88,189	168,898
Finance costs	10	(307,839)	(416,616)
Profit before tax	11	954,309	1,513,299
Income tax expense	12	(268,608)	(169,184)
Profit for the year		685,701	1,344,115
Other comprehensive expense for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(61,369)	(35,713)
Total comprehensive income for the year		624,332	1,308,402
Profit for the year attributable to:			
— Owners of the Company		421,278	1,214,746
— Non-controlling interests		264,423	129,369
		685,701	1,344,115
Total comprehensive income attributable to:			
— Owners of the Company		369,701	1,190,988
— Non-controlling interests		254,631	117,414
		624,332	1,308,402
Earnings per share	14		
— Basic (RMB)		0.077	0.224
— Diluted (RMB)		0.077	0.224

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	17	20,809,466	18,195,355
Investment properties		47,059	47,059
Right-of-use assets	18	833,809	827,334
Mining rights	19	1,728,434	1,528,031
Other intangible assets	20	430,705	543,560
Interest in a joint venture	22	–	3,403
Interest in an associate	23	8,000	–
Equity investment at fair value through profit or loss ("FVTPL")	24	37,128	92,593
Loan receivables	25	396,109	401,847
Deferred tax assets	26	165,980	190,639
Prepayments for right-of-use assets		26,600	38,511
Prepayments for mining rights		9,500	9,500
Deposits paid for acquisition of property, plant and equipment		395,357	858,013
Other deposits	29	134,637	18,472
Amount due from a joint venture	31	–	634,827
Pledged/restricted bank deposits	32	70,000	–
		25,092,784	23,389,144
Current assets			
Inventories	27	1,398,662	1,488,858
Properties under development	28	944,082	–
Trade and other receivables and prepayments	29	3,175,323	2,990,695
Loan receivables	25	241,668	324,654
Pledged/restricted bank deposits	32	1,127,669	621,627
Cash and cash equivalents	32	922,662	1,424,275
		7,810,066	6,850,109
Current liabilities			
Borrowings	33	3,632,813	3,156,533
Medium-term notes	38	–	714,431
Trade and other payables	34	5,125,429	4,877,402
Dividend payables		129,415	88,410
Contract liabilities	36	721,709	453,687
Deferred income	39	4,850	3,527
Income tax payable		195,439	181,006
		9,809,655	9,474,996
Net current liabilities		(1,999,589)	(2,624,887)
Total assets less current liabilities		23,093,195	20,764,257

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Borrowings	33	2,719,404	1,457,917
Asset retirement obligation	37	358,178	335,693
Deferred tax liabilities	26	409,578	459,456
Deferred income	39	20,804	28,254
Senior notes	35	4,324,193	4,204,158
Other long-term payables	40	1,093,088	887,028
		8,925,245	7,372,506
Net assets		14,167,950	13,391,751
Capital and reserves			
Share capital	41	141,837	141,837
Share premium and reserves	42	12,141,608	11,889,516
		12,283,445	12,031,353
Equity attributable to owners of the Company		1,884,505	1,360,398
Non-controlling interests			
Total Equity		14,167,950	13,391,751

The consolidated financial statements on pages 56 to 169 were approved and authorised for issue by the Board of Directors on 18 March 2024 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Cao Jianshun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company								Non- controlling interests	Total equity
	Share capital	Share premium	Equity reserve	Translation reserve	Share option reserve	Statutory reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000 (Note 42)	RMB'000	RMB'000	RMB'000 (Note 42)	RMB'000	RMB'000		
At 1 January 2022	141,837	1,827,209	(250,227)	51,399	22,724	1,411,894	8,108,712	11,313,548	478,079	11,791,627
Profit for the year	-	-	-	-	-	-	1,214,746	1,214,746	129,369	1,344,115
Exchange differences on translation of foreign operations	-	-	-	(23,758)	-	-	-	(23,758)	(11,955)	(35,713)
Profit and total comprehensive (expense) income for the year	-	-	-	(23,758)	-	-	1,214,746	1,190,988	117,414	1,308,402
Transfer to statutory reserve	-	-	-	-	-	231,725	(231,725)	-	-	-
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	65,213	(65,213)	-	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(27,511)	27,511	-	-	-
Acquisition of subsidiaries (Note 43)	-	-	-	-	-	-	-	-	803,583	803,583
Dividends recognised as distribution (Note 13)	-	(473,183)	-	-	-	-	-	(473,183)	-	(473,183)
Acquisition of additional interests from non-controlling shareholders (Note b)	-	-	-	-	-	-	-	-	(22,500)	(22,500)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	10,647	10,647
Dividends recognised as distribution to non-controlling interests	-	-	-	-	-	-	-	-	(26,825)	(26,825)
At 31 December 2022	141,837	1,354,026	(250,227)	27,641	22,724	1,681,321	9,054,031	12,031,353	1,360,398	13,391,751
Profit for the year	-	-	-	-	-	-	421,278	421,278	264,423	685,701
Exchange differences on translation of foreign operations	-	-	-	(51,577)	-	-	-	(51,577)	(9,792)	(61,369)
Profit and total comprehensive (expense) income for the year	-	-	-	(51,577)	-	-	421,278	369,701	254,631	624,332
Exercise/lapse of share-based payments	-	-	-	-	(4,743)	-	4,743	-	-	-
Transfer to statutory reserve	-	-	-	-	-	130,313	(130,313)	-	-	-
Appropriation of maintenance and production funds (Note a)	-	-	-	-	-	99,956	(99,956)	-	-	-
Utilisation of maintenance and production funds (Note a)	-	-	-	-	-	(30,409)	30,409	-	-	-
Purchase of shares of non-controlling interests (Note c)	-	-	(89,910)	-	-	-	-	(89,910)	19,810	(70,100)
Dividends recognised as distribution (Note 13)	-	(364,405)	-	-	-	-	-	(364,405)	(72,094)	(436,499)
Capital refund to non-controlling shareholders	-	-	-	-	-	-	-	-	(10,064)	(10,064)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	166	166
Establishments of subsidiaries	-	-	-	-	-	-	-	-	24,964	24,964
Derecognition of a subsidiary (Note 45)	-	-	-	-	-	-	-	-	14,158	14,158
Hyperinflation restatement	-	-	336,706	-	-	-	-	336,706	292,536	629,242
At 31 December 2023	141,837	989,621	(3,431)	(23,936)	17,981	1,881,181	9,280,192	12,283,445	1,884,505	14,167,950

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Notes:

- a. Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.
- b. On 29 January 2022, the Group entered into agreements with the non-controlling shareholders of Shaanxi Fengshengdeyuan Industrial Co., Ltd.* ("Shaanxi Fengsheng") 陝西豐盛德遠實業有限公司 to acquire 45% of the equity interests in Shaanxi Fengsheng from the non-controlling shareholders for a total consideration of RMB22,500,000.
- c. On 5 May 2023, the Group acquired 30.5% of the equity interests in 康定跑馬山水泥有限責任公司 Kangding Paomashan Cement Co., Ltd.* ("Paomashan") from a non-controlling shareholder of Paomashan for a total consideration of RMB62,960,000 through court auction and the non-controlling interest increased by RMB26,950,000.

On 24 August 2023, the Group acquired 20.4% of the equity interests in 陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Co., Ltd.* ("Xinyida Hengzhong") from non-controlling shareholders of Xinyida Hengzhong for a total consideration of RMB7,140,000 through court auction and the non-controlling interest decreased by the same amount.

- * The English name is for identification purpose.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		954,309	1,513,299
Adjustments for:			
Finance costs		307,839	416,616
Interest income		(88,189)	(168,898)
Net foreign exchange difference		(70,327)	(37,058)
Depreciation of property, plant and equipment		1,269,877	1,225,683
Depreciation of right-of-use assets		41,902	18,266
Amortisation of mining rights		41,286	41,784
Amortisation of other intangible assets		5,943	4,165
(Gain) loss on disposal of property, plant and equipment		(5,310)	11,714
Loss (gain) on disposal of right-of-use assets		1,213	(58)
Loss on disposal of mining rights		2,306	–
Gain on fair value changes of investment in entrusted product		-	(5,736)
Loss on fair value changes of equity investment at FVTPL		55,465	69,588
Loss on derecognition of a subsidiary	45	255,651	–
Gain on deemed disposal of a joint venture		(10,000)	–
Dividends from equity investments		(1,897)	–
Impairment loss, net of reversal, under expected credit loss model	8	18,489	68,885
Impairment loss on goodwill		69,587	–
Provision for administrative penalty		119,616	29,778
(Reversal of) write-down of inventories		(929)	3,014
Share of result of a joint venture		3,403	6,407
Government grants released to profit or loss		(6,127)	(317,319)
Non-cash items related to hyperinflation		(128,161)	–
Operating cash flows before movements in working capital		2,835,946	2,880,130
Decrease (increase) in inventories		52,654	(253,943)
Increase in properties under development		(244,976)	–
Increase in trade and other receivables and prepayments		(53,734)	(13,367)
Increase (decrease) in trade and other payables		130,243	(303,864)
Increase in contract liabilities		261,531	48,533
Cash generated from operations		2,981,664	2,357,489
Income tax paid		(281,523)	(222,951)
Net cash from operating activities		2,700,141	2,134,538

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Interest received		85,179	132,778
Dividends received from equity investments		1,897	–
Purchase of property, plant and equipment		(2,865,153)	(2,847,922)
Purchase of mining rights		(33,043)	(50,733)
Purchase of right-of-use assets		(24,202)	(56,119)
Purchase of other intangible assets		(1,759)	(6,547)
Payment for investment property		–	(16,191)
Proceeds from disposal of property, plant and equipment		42,109	72,165
Proceeds from disposal of right-of-use assets		9	34,284
Proceeds from disposal of entrusted product		–	87,591
Refund of prepayment for right-of-use assets		16,000	19,999
Acquisition of investment in an associate		(2,441)	–
Loans to third parties		(411,600)	(101,600)
Repayments received from loans to third parties		489,407	245,326
Net cash outflow on acquisitions of subsidiaries	43&44	(26,715)	(717,728)
Net cash outflow on derecognition of a subsidiary	45	(1,738)	–
Deposits paid for acquisition of a subsidiary		(50,992)	–
Government grants received for acquisition of property, plant and equipment		–	3,800
Advance to a joint venture		–	(64,643)
Withdrawal of restricted/pledged bank deposits		1,482,077	669,751
Placement of restricted/pledged bank deposits		(2,052,428)	(659,030)
Net cash used in investing activities		(3,353,393)	(3,254,819)
FINANCING ACTIVITIES			
New borrowings raised		3,881,326	3,234,061
Repayments of borrowings		(2,098,395)	(2,879,325)
Repayment of medium-term notes		(700,000)	(500,000)
Dividends paid to non-controlling shareholders of a subsidiary		(21,251)	(9,000)
Dividends paid		(364,405)	(473,183)
Acquisition of additional interest in non-controlling interests		(67,685)	(20,500)
Capital injection by non-controlling interests		25,130	10,647
Capital refund to non-controlling interests		(10,064)	–
Interest paid		(504,849)	(462,999)
Net cash from (used in) financing activities		139,807	(1,100,299)
Net decrease in cash and cash equivalents		(513,445)	(2,220,580)
Cash and cash equivalents at 1 January		1,424,275	3,507,715
Effect of foreign exchange rate changes		11,832	137,140
Total cash and cash equivalents at 31 December, represented by bank balances and cash		922,662	1,424,275

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

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

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

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

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

New and amendments to IFRSs that are mandatorily effective for the current year (Cont’d)

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

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

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Agreements ²
Amendments to IAS 21	Lack of Exchangeability ³

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

Except as described below, the directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency’s lack of exchangeability affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted. The application of the amendments may have impact on the Group’s financial position and performance of the Group in the foreign operation which is in hyperinflation economy (as disclosed in note 3) in which the local currency may not be exchangeable. The directors of the Company is currently assessing the impact on such application.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis for preparation of consolidated financial statements

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

As at 31 December 2023, the Group has net current liabilities position of approximately RMB1,999,589,000. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 31 December 2023, the Group has unused banking facility of approximately RMB1,167,302,000, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these consolidated financial statements;
- subsequent to 31 December 2023, the Group has obtained additional banking facilities of approximately RMB484,716,000, which is made available for the Group to utilise at the date of granting such facilities; and
- subsequent to 31 December 2023, the Group had been in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB2,123,580,000 from various banks; and
- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

Change in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations (Cont'd)

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

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

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

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

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 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Goodwill

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Leases

Definition of a lease

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

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

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.

Foreign currencies and operations (including foreign hyperinflationary operation)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Foreign currencies and operations (including foreign hyperinflationary operation) (Cont'd)

The results and financial position of foreign operation in a hyperinflationary economy are translated to the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period. Prior to translating the financial statements of foreign operation in a hyperinflationary economy, such foreign operation's financial statements for the current year are restated to account for changes in the general purchasing power of the local currencies. The restatement is based on relevant price indices at the end of the reporting period, as discussed below:

Hyperinflationary economy in Ethiopia

As at December 2023, Ethiopia (one of the foreign operations of the Group) has been widely considered as a hyperinflationary economy, as defined in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). As such, non-monetary items, which were carried at historical cost, including mainly goodwill, mining rights, property, plant and equipment and inventories have been restated for the effect of inflation based on changes in the price index for the period from initial recognition to end of the reporting period or to the date of disposal, where relevant. All components of equity are restated by applying a general price index from the beginning of the period.

Profit or loss transactions in the current period have been restated to reflect changes in the price index from the time of transaction to the end of the reporting period, with the exception of depreciation and amortisation. The latter have been recalculated based on the inflation-adjusted costs of plant, property and equipment and mining rights. The recalculation has been based on the useful lives of the relevant assets based on the Group's accounting policy,

The restating gain or loss relating to the change in the price index for the reporting period has been recognised in profit or loss under "other gains and losses, net".

Monetary items are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Restatement for hyperinflation of the financial statements of the Ethiopian operation was based on the inflation rate which was the end of period consumer prices provided by the World Economic Outlook prepared by International Monetary Fund. For 2023, the inflation rate in Ethiopia was estimated to be 25%.

As a result of the restatement of profit or loss, the revenue of the Group had a positive impact of approximately RMB145,288,000, netted off by increase in expenses amounted to RMB104,127,000, which include increase in depreciation of property, plant and equipment and amortisation of mining rights by RMB14,842,000 and RMB605,000, respectively. In addition, the net effect on the restatement of non-monetary items, including goodwill, property, plant and equipment, mining rights, inventories, and equity, respectively, which is recorded in "Other gains and losses, net". Details of the individual movement of goodwill, property, plant and equipment and mining rights is disclosed in Notes 20, 17, and 19, respectively.

As a result of the application of IAS 29, the overall net impact to profit or loss for the year is amounted to RMB88,728,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Borrowing costs

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

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

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Property, plant and equipment

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

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

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

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

Mining assets include primarily the following:

(a) Stripping costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Property, plant and equipment (Cont'd)

Mining assets include primarily the following: (Cont'd)

(b) Asset retirement obligation

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

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

Mining rights

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Impairment on property, plant and equipment, investment properties, right-of-use assets, mining rights and intangible assets other than goodwill (Cont'd)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. 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 of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 32.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Inventories

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

Properties under development

Properties under development, representing leasehold land and buildings located in the PRC under development which are intended to be sold upon completion of development and are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development is carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

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

Contingent liabilities

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales 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 at FVTPL) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Cont'd)*

3.2 Material accounting policy information *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

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

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

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

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses, net' line item as part of the net foreign exchange gains/(losses) (Note 7);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses, net' line item as part of the fair value change on equity instrument at FVTPL of financial assets (Note 7).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities including borrowings, trade and other payables, senior notes and medium-term notes are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment assessment of goodwill, property, plant and equipment, right-of-use assets and mining rights

In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether the carrying amount of goodwill, property, plant and equipment, right-of-use-assets and mining rights can be supported by the recoverable amount; and (2) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Details of the impairment assessment is disclosed in Note 21.

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across financial assets measured at amortised costs requires judgement, in particular, the estimation of the amount, timing of future cash flows and forward-looking information when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors (including but not limited to, the creditability of the counterparty, historical default, etc.), changes in which can result in different levels of allowances.

Trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 29 and 51, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Impairment of financial assets (Cont'd)

Loan receivables

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

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

Assets retirement obligation

The estimation of the liabilities for assets retirement obligation involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the assets retirement obligations is RMB358,178,000 (2022: RMB335,693,000) as disclosed in Note 37.

Impairment loss on derecognition of a subsidiary

During the year ended 31 December 2023, the Group derecognised Paomashan (as defined in Note 45) after a liquidator was appointed to take over the control of Paomashan. As a result, the Group recognised impairment loss of certain receivables due from Paomashan. In determining the recoverable amount of these receivables, the Group took into account the bidding price that was offered for public tender by the Kangding People's Court (as defined in Note 45), which the bidding price was set with reference to the valuation report performed at the instruction of the liquidator on these assets. The Group recognised a loss on disposal of a subsidiary approximately RMB255,651,000. Considering the public tender has not yet completed as at the date of this report, actual cashflow that the liquidator expects to collect may differ from the bidding price, which may further result in material adjustments to the impairment loss.

Details of the derecognition of Paomashan is disclosed in Note 45.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION

	2023 RMB'000	2022 RMB'000
Types of products and services		
Sales of cement and related products	8,710,845	8,153,177
Provision of construction and installation service	14,370	93,882
Sales of plastics bags	32,474	54,665
Trading of cement-related raw materials	46,115	17,220
Sales of gypsum	45,522	–
Others	171,575	170,191
	9,020,901	8,489,135

Performance obligation for contracts with customers and revenue recognition policies

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

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

Operating Segments

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

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The segment changed from the location of the operations to the location of the markets. Prior year segment disclosures have been re-presented to conform with the current year's presentation.

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

1. The PRC markets
2. Overseas markets

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(i) Segment revenue and results

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

For the year ended 31 December 2023

	The PRC markets RMB'000	Overseas markets RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	6,250,867	2,770,034	9,020,901	–	9,020,901
Inter-segment sales	58,062	–	58,062	(58,062)	–
Total	6,308,929	2,770,034	9,078,963	(58,062)	9,020,901
SEGMENT PROFIT	355,025	1,014,779	1,369,804	–	1,369,804
Share of result of a joint venture					(3,403)
Fair value change on equity instrument at FVTPL					(55,465)
Dividend income from equity investment at FVTPL					1,897
Impairment loss recognised in respect of goodwill					(69,587)
Gain on deemed disposal of a joint venture					10,000
Loss on derecognition of a subsidiary					(255,651)
Unallocated directors' emoluments					(13,930)
Unallocated central administrative costs					(27,303)
Unallocated legal and professional expenses					(2,053)
Profit before tax					954,309

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

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

For the year ended 31 December 2022 (restated)

	The PRC markets RMB'000	Overseas markets RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	7,250,607	1,238,528	8,489,135	–	8,489,135
Inter-segment sales	29,355	–	29,355	(29,355)	–
Total	7,279,962	1,238,528	8,518,490	(29,355)	8,489,135
SEGMENT PROFIT					
	1,301,824	324,631	1,626,455	–	1,626,455
Share of result of a joint venture					(6,407)
Fair value change on equity instrument at FVTPL					(69,588)
Dividend income from equity investment at FVTPL					2,956
Unallocated directors' emoluments					(9,537)
Unallocated central administrative costs					(28,868)
Unallocated legal and professional expenses					(1,712)
Profit before tax					1,513,299

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of share of result of a joint venture, fair value change/dividend income on equity investment at FVTPL, impairment loss recognised in respect of goodwill, gain on deemed disposal of a joint venture, loss on derecognition of a subsidiary, central administrative costs, legal and professional expenses and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(ii) Other segment information

For the year ended 31 December 2023

	The PRC markets RMB'000	Overseas markets RMB'000	Consolidated RMB'000
Depreciation and amortisation			
— property, plant and equipment	964,477	305,400	1,269,877
— right-of-use assets	18,595	23,307	41,902
— mining rights	16,347	24,939	41,286
— other intangible assets	5,255	688	5,943
Impairment loss (reserved) recognised in profit or loss in respect of:			
— loan receivables	(3,795)	—	(3,795)
— trade and other receivables	43,162	(20,878)	22,284
Interest income	82,556	5,633	88,189
Finance costs	201,888	105,951	307,839
Gain on disposal of property, plant and equipment	(4,768)	(542)	(5,310)
Loss on disposal of right-of-use assets	1,213	—	1,213
Loss on disposal of mining rights	2,306	—	2,306
Reversal of inventories	(929)	—	(929)

For the year ended 31 December 2022

	The PRC markets RMB'000	Overseas markets RMB'000	Consolidated RMB'000
Depreciation and amortisation			
— property, plant and equipment	1,005,777	219,906	1,225,683
— right-of-use assets	18,200	66	18,266
— mining rights	41,784	—	41,784
— other intangible assets	3,754	411	4,165
Impairment loss recognised in profit or loss in respect of:			
— loan receivables	53,038	—	53,038
— trade and other receivables	13,879	1,968	15,847
Interest income	166,729	2,169	168,898
Finance costs	256,189	160,427	416,616
Loss (gain) on disposal of property, plant and equipment	12,569	(855)	11,714
Gain on disposal of right-of-use assets	(58)	—	(58)
(Reversal of) write-down of inventories	(104)	3,118	3,014

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical Information

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

	2023 RMB'000	2022 RMB'000
The PRC	6,250,867	7,250,607
Africa	2,710,740	1,130,732
Others	59,294	107,796
	9,020,901	8,489,135

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

	2023 RMB'000	2022 RMB'000
The PRC	11,097,801	12,442,580
Africa	12,298,744	9,494,177
Others	892,385	114,009
	24,288,930	22,050,766

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2023 and 2022.

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Tax refund (Note a)	97,041	99,253
Government grant, including release from deferred income (Note b)	41,080	349,703
Dividend income from equity investment at FVTPL	1,897	2,956
Other	2,701	–
	142,719	451,912

Notes:

- The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by the relevant government authorities as a result of utilising industrial waste as part of the production materials.
- During the year ended 31 December 2021, owing to the need of better urban reservation, one of the Group's subsidiaries had been approached by the government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,000,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. During the year ended 31 December 2022, the demolition work was completed and included in the government grant represented an amount of approximately RMB308,482,000 subsidy received as a result of demolition work.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. OTHER GAINS AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Fair value change on equity instrument at FVTPL	(55,465)	(69,588)
Impairment loss recognised in respect of goodwill (Note 21)	(69,587)	–
Loss on disposal of mining rights	(2,306)	–
Net foreign exchange gain	45,601	37,058
Loss on derecognition of a subsidiary (Note 45)	(255,651)	–
Gain on deemed disposal of a joint venture	10,000	–
Gain (loss) on disposal of property, plant and equipment	5,310	(11,714)
Fair value change on investment in entrusted product	–	5,736
Hyperinflation restatement	47,567	–
Others	(3,137)	(13,946)
	(277,668)	(52,454)

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

	2023 RMB'000	2022 RMB'000
Impairment losses recognised (reversed) on:		
— trade receivables	21,940	17,993
— loan receivables	(3,795)	53,038
— other receivables	344	(2,146)
	18,489	68,885

9. INTEREST INCOME

	2023 RMB'000	2022 RMB'000
Interest income from:		
— loan receivables	66,339	107,356
— amount due from a joint venture	3,010	36,120
— bank deposits	18,840	25,422
	88,189	168,898

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on:		
— bank loans	288,798	180,038
— other long-term payables	42,629	51,338
— senior notes	220,676	209,780
— medium-term notes	34,569	64,515
	586,672	505,671
Less: amount capitalised	(295,316)	(110,335)
	291,356	395,336
Unwinding of discount (Note 37)	16,483	21,280
	307,839	416,616

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 5.27% (2022: 4.93%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. PROFIT BEFORE TAX

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

	2023 RMB'000	2022 RMB'000
Depreciation and amortisation:		
— Depreciation of property, plant and equipment	1,269,877	1,225,683
— Depreciation of right-of-use assets	41,902	18,266
— Amortisation of mining rights	41,286	41,784
— Amortisation of other intangible assets	5,943	4,165
Total depreciation and amortisation	1,359,008	1,289,898
Recognised in cost of sales	(280,238)	(240,775)
Capitalised in inventories	(904,728)	(938,666)
	174,042	110,457
Staff costs (including directors' emoluments):		
— Salaries and allowances	865,719	719,334
— Retirement benefits	67,362	57,228
Total staff costs	933,081	776,562
Recognised in cost of sales	(74,284)	(62,435)
Capitalised in inventories	(429,460)	(352,094)
	429,337	362,033
Research and development costs recognised as an expense (included in cost of sales)	335,335	380,304
Auditors' remuneration	7,340	5,375
Cost of inventories recognised as expenses	5,871,954	5,620,777
(Reversal of) write-down of inventories (included in cost of sales)	(929)	3,014
Donations (included in other expenses)	21,097	6,464
Legal and professional fees (included in other expenses)	52,667	28,695
Provision for administrative penalty (included in other long-term payables) (Note 40)	119,616	29,778

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	66,264	169,090
Ethiopia Profits Tax	199,145	12,837
Hong Kong Profits Tax	–	48,098
Withholding tax	58,864	56,000
Others jurisdictions	32,558	6,663
	356,832	292,688
Under (over) provision in prior years:		
PRC EIT	23,150	(13,981)
Hong Kong Profits Tax	(64,018)	–
	(40,868)	(13,981)
Deferred tax (Note 26):		
Current year	(47,355)	(109,523)
Income tax expense	268,608	169,184

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

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

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

Ethiopia Profits Tax is calculated at 30% for both years.

Taxation arising in other jurisdictions, mainly arising from various countries in Africa, is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. INCOME TAX EXPENSE (Cont'd)

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

	2023 RMB'000	2022 RMB'000
Profit before tax	954,309	1,513,299
Tax at domestic income tax rate of 25% (2022: 25%)	238,576	378,324
Tax effects on:		
Expenses not deductible for tax purpose	36,427	34,415
Income not taxable for tax purpose	(1,330)	(3,994)
Additional tax benefit applicable to the Group (Note a)	(83,834)	(93,960)
Tax holidays and concession rates of group entities (Note b)	(25,924)	(127,801)
Tax effect of share of result of a joint venture	851	1,602
Tax on interest income on intra-group loans (Note c)	372	1,118
Tax effect of deductible temporary differences not recognised	44,108	77,836
Withholding tax on undistributed profits of PRC subsidiaries (Note d)	17,624	55,000
Withholding tax on undistributed profits of overseas subsidiary (Note d)	12,964	–
Tax losses not recognised as deferred tax assets	143,825	30,821
Utilisation of tax losses previously not recognised as deferred tax assets	(5,502)	(129,183)
Recognition of deferred tax assets on tax losses generated in previous years	(31,885)	(32,480)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(36,796)	(8,533)
Over provision in respect of prior years	(40,868)	(13,981)
Tax expense for the year	268,608	169,184

Notes:

- Pursuant to the relevant tax rules and regulation in the PRC, certain expenses in research nature are deductible at 100% (2022: 75% or 100%) of such expenses incurred additionally. The related tax benefit amounted to RMB83,834,000 (2022: RMB93,960,000) for the year ended 31 December 2023.
- Certain of the Company's subsidiaries are established in areas where preferential tax rates were granted by the local tax authorities:

Entities	Place of establishment	Tax rate for the year ended 31 December		
		2023	2022	Tax benefit
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd.* ("Hetian Yaobai")	Xinjiang	15%	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd.* ("Luxin")	Xinjiang	15%	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd.* ("Lantian Yaobai")	Shaanxi	15%	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd.* ("Fuping")	Shaanxi	15%	15%	(i)

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2023	2022	
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd.* ("Shifeng")	Shaanxi	15%	15%	(i)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd.* ("Longqiao Yaobai")	Shaanxi	15%	15%	(i)
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd.* ("Pucheng Yaobai")	Shaanxi	15%	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd.* ("Zhonggang Logistics")	Shaanxi	15%	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd.* ("Guizhou Linshan")	Guizhou	15%	15%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd.*	Shaanxi	15%	15%	(i)
韓城堯柏陽山莊水泥有限公司 Hancheng Yangshanzhuang Cement Co., Ltd.* ("Hancheng")	Shaanxi	15%	15%	(i)
安康市堯柏水泥有限公司 Ankang Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中堯柏水泥有限公司 Hanzhong Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd.* ("Mianxian")	Shaanxi	15%	15%	(i)
漢中西鄉堯柏水泥有限公司 Hanzhong Xixiang Yaobai Cement Co., Ltd.* ("Xixiang")	Shaanxi	15%	15%	(i)
伊犁堯柏水泥有限公司 Yili Yaobai Cement Co., Ltd.* ("Yili Yaobai")	Xinjiang	15%	15%	(i)
銅川藥王山生態水泥有限公司 Tongchuan Yaowangshan Ecological Cement Co., Ltd.* ("Yaowangshan")	Shaanxi	15%	15%	(i)
陝西新意達建材產業發展有限公司 Shaanxi Xinyida Building Materials Industry Development Co., Ltd.* ("Xinyida Jiancai")	Shaanxi	15%	15%	(i)

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2023	2022	
Xinyida Hengzhong	Shaanxi	15%	15%	(i)
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
安康堯柏節能環保建材有限公司 Ankang Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
陝西堯柏新材料科技有限公司 Shaanxi Yaobai New Material Technology Co., Ltd.* ("Xincai")	Shaanxi	15%	15%	(i)
銅川中港智慧物流有限公司 Tongchuan Zhonggang Intelligent Logistics Co., Ltd.*	Shaanxi	15%	15%	(i)
融信(新疆)融資租賃有限公司 Rongxin (Xinjiang) Financial Leasing Co., Ltd.* ("Rongxin")	Xinjiang	0%	N/A	(ii)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd.* ("Guangxin Yili")	Xinjiang	9%	0%	(i)/(ii)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd.* ("Huayuanshuo")	Shaanxi	25%	20%	(iii)
銅川柏雲智能數據技術有限公司 Tongchuan Baiyun Intelligent data technology Co., Ltd.*	Shaanxi	20%	20%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd.* ("Moyu Jiancai")	Xinjiang	7.5%	7.5%	(iv)
和田堯柏建材有限公司 Hetian Yaobai Building Materials Co., Ltd.* ("Hetian Jiancai")	Xinjiang	7.5%	7.5%	(iv)
Shaanxi Fengsheng	Shaanxi	15%	15%	(v)

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Notes to the Consolidated Financial Statements

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12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2023	2022	
西安柏雲智能數據技術有限公司 Baiyun Intelligent Data Technology Co., Ltd.* ("Baiyun")	Shaanxi	15%	15%	(v)
商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd.* ("Xiushan Yaobai")	Shaanxi	15%	15%	(v)
銅川堯柏特種水泥有限公司 Tongchuan Yaobai Cement Co., Ltd.* ("Tongchuan Yaobai")	Shaanxi	15%	15%	(i)
安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co. Ltd.* ("Jianghua")	Shaanxi	15%	15%	(i)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd.* ("Baian")	Shaanxi	15%	15%	(i)
墨玉堯柏水泥有限公司 Moyu Yaobai Cement Co., Ltd.* ("Moyu Yaobai")	Shaanxi	7.5%	0%	(i)/(iv)
陝西建達信工程檢測有限公司 Shaanxi Jiandaxin Engineering Testing Co., Ltd.* ("Jiandaxin Engineering")	Shaanxi	20%	20%	(iii)
堯柏特種水泥技術研發有限公司 Yaobai Special Cement Technology R&D Co., Ltd.* ("Yaobai Technology")	Shaanxi	15%	15%	(v)
漢中堯柏磊金節能環保建材有限公司 Hanzhong Yaobaileijin Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Hanzhong Yaobaileijin")	Shaanxi	15%	15%	(v)
陝西柏能工業技術有限公司 Shaanxi Baineng Industrial Technology Co., Ltd.*	Shaanxi	15%	15%	(i)
新疆絲路智運物流有限公司 Xinjiang Silu Zhiyun Logistics Co., Ltd.*	Xinjiang	15%	15%	(i)
商洛堯柏節能環保建材有限公司 Shangluo Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Shangluo Yaobai Energy")	Shaanxi	20%	20%	(iii)
和田堯柏節能環保建材有限公司 Hetian Yaobo Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Hetian Jieneng")	Xinjiang	0%	0%	(iv)

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2023	2022	
陝西堯柏恒基混凝土有限公司 Shaanxi Yaobo Hengji Concrete Co., Ltd.*	Shaanxi	15%	15%	(i)
渭南堯柏聚信建築材料有限公司 Weinan Yaobo Juxin Building Materials Co., Ltd.* ("Juxin Building")	Shaanxi	15%	15%	(i)
陝西康居樾華物業服務有限公司 Shaanxi Kangju Yuehua Property Service Co., Ltd.*	Shaanxi	20%	N/A	(iii)

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

In addition, Guangxin Yili was granted with further waive of 40% local tax and resulted in the tax rate being 9% for the year ended 31 December 2023.

- (ii) Five-year tax holidays with 0% tax rate starting from the year beginning on 1 January 2023.
- (iii) Concession rate of 20% were granted to the small and micro enterprises. Apart from the concessional tax rate, additional tax benefits were granted to these entities for the first RMB3,000,000 taxable income for the years ended 31 December 2022 and 2023 as below:

Taxable income	Tax reduction
Below RMB3,000,000	75% reduction on income tax expense

During the year ended 31 December 2023, Huayuanshuo no longer qualified as small and micro enterprise and hence it is subject to tax rate of 25% for the year ended 31 December 2023.

- (iv) Tax incentive of “兩免三減半” was granted to these subsidiaries. The Group's subsidiaries, Moyu Jiancai, Hetian Jiancai, Moyu Yaobai and Hetian Jieneng are entitled to the tax incentive starting from year 2019, 2020, 2021, and 2022 respectively.
- (v) Three-year tax holidays with 15% tax rate granted to high-tech enterprises in the respective years.

During the year ended 31 December 2023, Xiushan Yaobai and Yaobai Technology renewed its qualification of high-tech enterprises and continued to enjoy a preferential tax rate of 15% in 2023.

- c. Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and the PRC.
- d. Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 5% under the PRC Enterprise Income Tax Law.

* The English name is for identification purpose only

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13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Final Dividend: HK7.4 cents, equivalent to RMB6.7 cents, per ordinary share (2021: HK10.7 cents, equivalent to RMB8.7 cents, per ordinary share)	364,405	473,183

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB2.3 cents (equivalent to HK2.5 cents) (2022: RMB6.7 cents (equivalent to HK7.4 cents)) per ordinary share, in an aggregate amount of RMB125,094,000 (2022: RMB364,405,000) per ordinary share have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2023 RMB'000	2022 RMB'000
Profit for the year		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	421,278	1,214,746

	2023 '000	2022 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	5,438,883	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	–	3,026
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,438,883	5,441,909

The computation of diluted earnings per share in 2023 does not assume the exercise of all share options (2022: certain share options) because the adjusted exercise price of those options was higher than the average market price for shares for both years.

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15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2023	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,500	2,300	–	3,800
Ma Weiping (<i>Chief Executive Officer</i>) (resigned on 2 February 2023)	–	336	1,667	–	2,003
Cao Jianshun (<i>Chief Executive Officer</i>) (appointed on 2 February 2023)	–	2,032	–	35	2,067
Wang Fayin (appointed on 2 February 2023)	–	1,830	–	35	1,865
Chu Yufeng (appointed on 2 February 2023)	–	1,434	265	35	1,734
Non-executive directors					
Ma Zhaoyang	360	–	–	–	360
Fan Changhong (resigned on 10 January 2024)	360	–	–	–	360
Wang Jingqian (appointed on 19 April 2022 and resigned on 7 June 2023)	156	–	–	–	156
Fan Zhan (appointed on 7 June 2023)	204	–	–	–	204
Independent non-executive directors					
Lee Kong Wai Conway	360	–	–	–	360
Zhu Dong	360	–	–	–	360
Tam King Ching Kenny	360	–	–	–	360
Feng Tao (appointed on 28 February 2023)	301	–	–	–	301
	2,461	7,132	4,232	105	13,930

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

2022	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,500	2,300	–	3,800
Ma Weiping (Chief Executive Officer) (resigned on 2 February 2023)	–	2,017	1,667	–	3,684
Non-executive directors					
Ma Zhaoyang	342	–	–	–	342
Fan Changhong (resigned on 10 January 2024)	342	–	–	–	342
Shi Guanglei (resigned on 19 April 2022)	103	–	–	–	103
Wang Jingqian (appointed on 19 April 2022 and resigned on 6 June 2023)	240	–	–	–	240
Independent non-executive directors					
Lee Kong Wai Conway	342	–	–	–	342
Zhu Dong	342	–	–	–	342
Tam King Ching Kenny	342	–	–	–	342
	2,053	3,517	3,967	–	9,537

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

The emoluments disclosed for Mr. Cao Jianshu, Mr. Wang Fayin and Mr. Chu Yufeng during the years ended 31 December 2023 in the abovementioned table included the salaries and allowances for their services in connection with the management of the affairs of the Company and the Group before they were appointed as the executive directors.

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

During the year, no emolument was paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2022: nil).

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: nil).

On 10 January 2024, Mr. Wang Zhixin has been appointed as the non-executive director of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include five (2022: two) directors of whose remuneration are set out in Note 15 above. The remaining zero (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	–	4,773
Performance related bonus	–	918
Retirement benefits	–	96
	–	5,787

The above employees' emoluments were within the following bands:

	Number of employees	
	2023	2022
HK\$2,000,001 to HK\$2,500,000	–	3

During the year, no emolument was paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2022: nil).

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2022	6,880,437	442,936	677,474	10,264,165	1,642,045	1,485,534	21,392,591
Exchange realignment	74,967	5,325	5,150	116,560	23	38,905	240,930
Additions	281,651	113,415	27,820	94,851	30,651	3,020,825	3,569,213
Acquisitions of subsidiaries (Note 43)	739,659	78,948	5,607	806,576	305	206,976	1,838,071
Transfers	(24,183)	74,995	29,248	65,869	81,705	(248,818)	(21,184)
Disposals/written off	(80,834)	(65,171)	(62,381)	(119,216)	(147,394)	–	(474,996)
At 31 December 2022	7,871,697	650,448	682,918	11,228,805	1,607,335	4,503,422	26,544,625
Exchange realignment	31,521	2,519	1,905	40,513	11	56,908	133,377
Additions	206,826	137,050	27,605	127,104	38,405	3,250,047	3,787,037
Transfers	468,670	70,509	21,865	227,377	47,428	(843,530)	(7,681)
Derecognition of a subsidiary (Note 45)	(63,720)	(2,395)	(861)	(1,398)	–	(507,842)	(576,216)
Hyperinflation restatement	91,830	136,866	38,214	256,798	64,957	–	588,665
Disposals/written off	(14,758)	(70,040)	(6,685)	(25,578)	(3,472)	–	(120,533)
At 31 December 2023	8,592,066	924,957	764,961	11,853,621	1,754,664	6,459,005	30,349,274
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	1,828,066	169,128	305,952	4,528,772	675,694	–	7,507,612
Depreciation charge	355,078	104,530	48,497	665,543	52,035	–	1,225,683
Eliminated on disposals/written off	(29,039)	(59,776)	(43,791)	(111,243)	(147,268)	–	(391,117)
Exchange realignment	1,771	623	454	4,242	2	–	7,092
At 31 December 2022	2,155,876	214,505	311,112	5,087,314	580,463	–	8,349,270
Depreciation charge	364,229	102,248	62,443	685,770	55,187	–	1,269,877
Eliminated on derecognition of a subsidiary (Note 45)	(254)	(98)	(68)	(30)	–	–	(450)
Eliminated on disposals/written off	(7,218)	(59,648)	(1,547)	(15,275)	(46)	–	(83,734)
Exchange realignment	1,268	549	343	2,683	2	–	4,845
At 31 December 2023	2,513,901	257,556	372,283	5,760,462	635,606	–	9,539,808
CARRYING AMOUNT							
At 31 December 2023	6,078,165	667,401	392,678	6,093,159	1,119,058	6,459,005	20,809,466
At 31 December 2022	5,715,821	435,943	371,806	6,141,491	1,026,872	4,503,422	18,195,355

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For the year ended 31 December 2023

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

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

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

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

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

18. RIGHT-OF-USE ASSETS

	Leasehold land	
	RMB'000	
As at 31 December 2023		
Carrying amount	833,809	
As at 31 December 2022		
Carrying amount	827,334	
	2023	2022
	RMB'000	RMB'000
Depreciation charge	41,902	18,266
Total cash outflow for leases	24,202	56,119
Additions to right-of-use assets	61,333	56,119

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB58,510,000 (2022: RMB51,645,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 50.

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

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19. MINING RIGHTS

	RMB'000
COST	
At 1 January 2022	1,269,854
Addition	44,105
Acquisition of a subsidiary (Note 43)	430,450
Exchange realignment	(21,835)
At 31 December 2022	1,722,574
Addition	137,691
Hyperinflation restatement	99,810
Transfer from construction in progress	3,502
Disposal	(36,659)
Exchange realignment	2,992
At 31 December 2023	1,929,910
AMORTISATION AND IMPAIRMENT	
At 1 January 2022	152,759
Charge for the year	41,784
At 31 December 2022	194,543
Charge for the year	41,286
Eliminated on disposal	(34,353)
At 31 December 2023	201,476
CARRYING AMOUNT	
At 31 December 2023	1,728,434
At 31 December 2022	1,528,031

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

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

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For the year ended 31 December 2023

20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Emission rights RMB'000	Total RMB'000
COST					
At 1 January 2022	193,357	20,610	41,719	4,400	260,086
Addition	–	–	6,547	–	6,547
Transfers from construction in progress	–	–	21,184	–	21,184
Acquisition of subsidiaries (Note 43)	287,508	–	291	–	287,799
At 31 December 2022	480,865	20,610	69,741	4,400	575,616
Addition	–	–	1,759	–	1,759
Hyperinflation restatement	27,802	–	–	–	27,802
Transfers from construction in progress	–	–	4,179	–	4,179
Derecognition of a subsidiary (Note 45)	(70,839)	–	(226)	–	(71,065)
At 31 December 2023	437,828	20,610	75,453	4,400	538,291
ACCUMULATED AMORTISATION					
At 1 January 2022	–	20,610	7,181	100	27,891
Charge for the year	–	–	4,076	89	4,165
At 31 December 2022	–	20,610	11,257	189	32,056
Charge for the year	–	–	5,854	89	5,943
Impairment losses recognised in the year (Note 21)	69,587	–	–	–	69,587
At 31 December 2023	69,587	20,610	17,111	278	107,586
CARRYING AMOUNT					
At 31 December 2023	368,241	–	58,342	4,122	430,705
At 31 December 2022	480,865	–	58,484	4,211	543,560

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

Computer software	5 to 20 years
Emission rights	20 years

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For the year ended 31 December 2023

21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS

Goodwill is tested for impairment annually or more frequently when circumstances indicate the carrying value may be impaired. Goodwill balances at end of each reporting period were attributable specifically to the nine individual CGUs in 2023 (2022: ten individual CGUs).

In addition, at the end of each reporting period, the management carry out the review of its non-current assets to identify if there is any impairment indicators that these assets have suffered an impairment loss.

Due to downturn of the business environment in the cement industry in the PRC, certain of the Group's subsidiaries were experiencing operating losses for the year ended 31 December 2023 and the management concluded there was indication for impairment. As it is not possible to estimate the recoverable amount of these individual non-current assets, the Group conducted impairment assessment on 16 CGUs where these goodwill, property, plant and equipment, right-of-use assets and mining rights belong to. No impairment indicator was identified in 2022.

CGUs that were subject to impairment when there is an indication for impairment and CGUs with goodwill allocated that are tested for impairment annually amounted to approximately RMB6,499,420,000.

The recoverable amounts of above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on a five-year financial budgets approved by the management. The following table sets out the key assumptions for the value in use calculation of the CGUs that were subject to impairment review.

	China	Africa
Pre-tax discount rate		
31 December 2023	12.0%–12.1%	18%
31 December 2022	15%	18%
Revenue growth rate		
31 December 2023	–12%–9%	–4%–0%
31 December 2022	–2%–16%	1%–47%

The cash flows beyond the five-year period are extrapolated using 0% to 5.7% growth rates (2022: 2.6% to 5.7%) with reference to the gross domestic price index of the respective country.

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21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS (Cont'd)

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

According to the result of the impairment review, the management concluded that three CGUs with their recoverable amounts lower than the carrying amounts of the CGUs. An impairment loss of approximately RMB69,587,000 has been recognised in profit or loss for the year ended 31 December 2023, attributable to the below three CGUs and all the impairment losses were allocated to goodwill. No impairment loss was recognised in 2022.

For the year ended 31 December 2023

	Valuation methodology	Gross carrying amount RMB'000	Recoverable amount RMB'000	Amount of impairment recognised RMB'000
CGUs (including goodwill)				
Cement plant — Fuping	VIU	771,613	764,355	7,258
Cement plant — Yaowangshan	VIU	461,955	432,342	29,613
Concrete plant — Juxin Building	VIU	66,497	33,781	32,716
		1,300,065	1,230,478	69,587

Below are the key parameters adopted for the three CGUs with impairment loss:

	Fuping	Yaowangshan	Juxin Building
Pre-tax discount rate	12%	12%	12.1%
Revenue growth rate	-1%	-3%	4%

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21. IMPAIRMENT ASSESSMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND MINING RIGHTS (Cont'd)

The management of the Group conduct sensitivity analysis of the parameters applied in the base version of the impairment testing to confirm whether a reasonably possible change in key parameters (i.e. the pre-tax discount rate and the revenue growth rate) would cause the carrying amount of the CGUs to exceed the recoverable amount. The result of sensitivity analysis for Juxin Building are summarised as below:

	Fuping RMB'000	Yaowangshan RMB'000	Juxin Building RMB'000
Decrease in recoverable amount			
— if pre-tax discount rate increased by 1%	(61,139)	(21,492)	(3,816)
— if revenue growth rate decreased by 1%	(22,526)	(15,530)	(4,978)

Except for the CGUs with impairment of goodwill already recognised, the management of the Group has not identified that a reasonable possible change in the key parameters could cause the carrying amount of the CGUs to exceed the recoverable amount as of 31 December 2023 and 2022 for all other CGUs.

The carrying amounts of goodwill balances at end of each reporting period were attributable specifically to the individual CGU as below.

	2023 RMB'000	2022 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — Fuping	—	7,258
Cement plant — Yaowangshan	—	29,613
Cement plant — National Cement Share Company ("NCSC")	147,704	119,902
Cement plant — Paomashan (Note 45)	—	70,839
Commercial mixed station — Shaanxi Fengsheng	6,207	6,207
Concrete plant — Shaanxi Hengji Concrete Co., Ltd.* ("Hengji Concrete") 陕西恒基混凝土有限公司	50,594	50,594
Concrete plant — Juxin Building	13,457	46,173
	368,241	480,865

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

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22. INTEREST IN A JOINT VENTURE

In 2021, the Group established a subsidiary, Ankang Baicheng Real Estate Co., Ltd.* ("Baicheng Real Estate") 安康市柏城置業有限公司 with registered share capital of RMB20,000,000. Subsequently, the Group entered into a sale agreement to dispose of its 50% equity interest in Baicheng Real Estate with an independent third party with a cash consideration of RMB10,000,000. After the disposal, Baicheng Real Estate becomes the joint venture of the Group. On 1 February 2023, the Group acquired from the 50% equity interest held by an independent third party (the "Seller") and Baicheng Real Estate becomes the wholly-own subsidiary of the Group upon the completion of the acquisition.

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

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2023	2022	2023	2022	
Baicheng Real Estate	The PRC	Shaanxi	N/A	50%	N/A	50%	Real estate development and operation

Summarised financial information of Baicheng Real Estate

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

	2022 RMB'000	
Current assets	712,340	
Non-current assets	452	
Current liabilities	705,985	
	From 1.1.2023 to 31.1.2023 (date of deemed acquisition) RMB'000	2022 RMB'000
Revenue	–	–
Loss and total comprehensive expense for the period/year	(7,292)	(12,813)

* The English name is for identification purpose only

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

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

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

23. INTEREST IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Unlisted equity investment, at cost (Note)	8,000	N/A
Share of post-acquisition profits and other comprehensive income, net of dividends received	—	N/A
Carrying amount of the Group's interest	8,000	N/A

Note: Approximately RMB5,559,000 of the investment cost were contributed by the land use right.

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2023	2022	2023	2022	
Tongchuan Haichuang Yaobai Environmental Co., Ltd.* (Haichuang Yaobai) 銅川海創堯柏環保 有限責任公司	The PRC	Shaanxi	40%	N/A	40%	N/A	Treatment of dangerous and hazardous waste

No summary of financial information is disclosed as the financial results of the associate is not material to the Group as a whole.

24. EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed securities: — Equity securities listed in the SEHK	37,128	92,593

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25. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loans collateralised by property, plant and equipment (Note a)	375,596	526,776
Loans collateralised by receivables (Note b)	502,300	427,800
Small loans (Note c)	8,900	24,739
	886,796	979,315
Less: Allowance for credit losses	(249,019)	(252,814)
	637,777	726,501
Analysed as:		
Current	241,668	324,654
Non-current	396,109	401,847
	637,777	726,501

Notes:

- (a) As at 31 December 2023 and 2022, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from one to four years under which:
- (i) The third parties transferred the ownership titles of their certain assets to the Group and leased back those assets;
 - (ii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and
 - (iii) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.
- Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.
- (b) The loans collateralised by receivables are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.
- (c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

The Group periodically carry out inspection on the collateralised assets of the borrowers. During the years ended 31 December 2023 and 2022, the Group did not identify any significant deterioration of the quality of the collateralised assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25. LOAN RECEIVABLES (Cont'd)

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

	2023 RMB'000	2022 RMB'000
Within one year	241,668	324,654
In more than one year but not more than two years	396,109	401,847
	637,777	726,501

The ranges of effective rates on the Group's loan receivables were 8% to 15% (2022: 8% to 15%) per annum as at 31 December 2023.

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

During the years ended 31 December 2023 and 2022, the Group had agreed to extend the loan maturity date with certain borrowers and the corresponding borrowings had been reclassified and presented as non-current. As at 31 December 2023, carrying amount of loan receivables of RMB543,507,000 (net of allowance of RMB243,289,000) (2022: RMB629,660,000 (net of allowance of RMB247,986,000)) were considered past due despite the extension of repayment due date. Details of impairment assessment are set out in Note 51.

26. DEFERRED TAX

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets	165,980	190,639
Deferred tax liabilities	(409,578)	(459,456)
	(243,598)	(268,817)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. DEFERRED TAX (Cont'd)

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

	Impairment, allowance for doubtful debts and accruals RMB'000	Other long-term payables and deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2022	70,909	(87,932)	92,721	(33,827)	(33,191)	8,680
Credited to profit or loss	3,415	69,856	32,480	2,772	1,000	109,523
Acquisition of a subsidiary	–	–	–	(407,901)	–	(407,901)
Exchange adjustments	–	–	–	20,881	–	20,881
At 31 December 2022	74,324	(18,076)	125,201	(418,075)	(32,191)	(268,817)
(Charged) credited to profit or loss	(6,945)	5,398	2,673	17,953	28,276	47,355
Derecognition of A subsidiary (Note 45)	(49)	–	(22,087)	–	–	(22,136)
At 31 December 2023	67,330	(12,678)	105,787	(400,122)	(3,915)	(243,598)

At the end of the reporting period, the Group had unused tax losses of RMB1,012,860,000 (2022: RMB664,764,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB423,148,000 (2022: RMB500,804,000) of such losses.

No deferred tax has been recognised in respect of the tax losses of RMB589,712,000 (2022: RMB163,960,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2023 RMB'000	2022 RMB'000
2026	–	40,676
2027	14,414	123,284
2028	575,298	–
	589,712	163,960

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2023, the Group recognised deferred taxation in respect of withholding tax of RMB3,915,000 (2022: RMB32,191,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2023, the Group has deductible temporary differences of RMB757,099,000 (2022: RMB608,644,000). A deferred tax asset has been recognised in respect of RMB269,320,000 (2022: RMB297,296,000) in relation to such deductible temporary difference.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. DEFERRED TAX (Cont'd)

As at 31 December 2023, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB5,332,165,000 (2022: RMB4,926,414,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of the non-PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB1,475,413,000 (2022: RMB847,112,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials and consumables	722,185	625,301
Work in progress	425,213	534,894
Finished goods	251,264	328,663
	1,398,662	1,488,858

28. PROPERTIES UNDER DEVELOPMENT

	2023 RMB'000
Properties under development	944,082
	RMB'000
Analysis of leasehold land:	
As at 31 December 2023	
Carrying amount	556,903

The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2023 (2022: N/A).

Details of properties under development pledged are set out in Note 50.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

29. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Trade receivables	1,333,019	1,254,034
Trade receivables backed by bills	401,636	463,468
	1,734,655	1,717,502
Less: Allowance for credit losses	(201,578)	(179,659)
	1,533,077	1,537,843
Other receivables (Note)	1,198,171	738,405
Less: Allowance for credit losses	(1,190)	(846)
	1,196,981	737,559
VAT recoverable	276,295	440,077
VAT refund receivable	4,680	22,205
Prepayments to suppliers	298,927	271,483
	3,309,960	3,009,167
Less:		
Non-current portion of other deposits (included in "Other receivables" above)	(134,637)	(18,472)
	3,175,323	2,990,695

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

Note: Included in other receivables represented balances of approximately RMB372,990,000 (2022: RMB337,261,000) due from non-controlling interests of subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

29. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB1,254,034,000.

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

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

	2023 RMB'000	2022 RMB'000
0 to 90 days	600,152	552,685
91 to 180 days	227,533	230,693
181 to 360 days	183,777	173,541
361 to 720 days	243,000	180,156
Over 720 days	78,557	116,959
	1,333,019	1,254,034

As at 31 December 2023, included in trade receivables backed by bills represents total bills received amounting to RMB126,031,000 (2022: RMB243,240,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

The Group allows a credit period of 90 to 180 days to its certain trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB557,825,000 (2022: RMB535,088,000) which are past due as at the reporting date. Out of the past due balances, RMB338,623,000 (2022: RMB311,745,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2023 and 2022 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2023 RMB'000	2022 RMB'000
Carrying amount of transferred assets	126,031	243,240
Carrying amount of associated liabilities	126,031	243,240
Net position	–	–

31. AMOUNT DUE FROM A JOINT VENTURE

Amount represented advance made to the joint venture to finance for its real estate project. The advance was unsecured and bore interest rate of 7% per annum. On 1 February 2023, the Group acquired the remaining 50% equity interests in the joint venture. Details of the acquisition are set out in Note 44.

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

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents		
— denominated in RMB	365,672	471,626
— denominated in US\$	424,464	820,189
— denominated in other currencies	132,526	132,460
	922,662	1,424,275
Pledged/restricted bank deposits		
— denominated in RMB	941,707	621,627
— denominated in other currencies	255,962	–
	1,197,669	621,627

Cash and cash equivalent include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.15% to 3.40% (2022: 0.05% to 3.20%) per annum.

Restricted/pledged bank deposits carry fixed interest at market rates range from 0.15% to 3.20% (2022: 0.05% to 3.20%) per annum. Restricted/pledged bank deposits represent bank deposits of RMB111,611,000, RMB938,676,000 and RMB70,000,000 (2022: RMB60,319,000, RMB561,308,000 and nil) set aside as securities deposits for projects bidding, bills payable and bank loans (Note 50), respectively. The Group used the trade facilities in projects bidding process which were required by contractors. Except for the amount set aside for as security for bank loans which will be released upon the repayment of the bank loan and is thus classified as non-current assets, the maturity of the remaining balances were within one year and is classified as current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank loans		
— Secured	4,164,874	3,224,264
— Unsecured	2,187,343	1,390,186
	6,352,217	4,614,450
Carrying amount repayable as follows:		
— within one year	3,632,813	3,156,533
— more than one year but not more than two years	560,814	220,100
— more than two years but not more than five years	1,735,176	639,093
— within a period of more than five years	423,414	598,724
	6,352,217	4,614,450
Less: Amount due for settlement within one year and shown under current liabilities	(3,632,813)	(3,156,533)
Amounts shown under non-current liabilities	2,719,404	1,457,917

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

	2023 RMB'000	2022 RMB'000
Fixed rate borrowings:		
— repayable within one year	3,466,213	3,082,733
— repayable more than one year but not more than two years	282,014	150,300
— repayable more than two years but not more than five years	879,685	48,693
— repayable more than five years	345,414	334,838
Variable rate borrowings		
— repayable within one year	166,600	73,800
— repayable more than one year but not more than two years	278,800	69,800
— repayable more than two years but not more than five years	855,491	590,400
— repayable within a period of more than five years	78,000	263,886
	6,352,217	4,614,450

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. BORROWINGS (Cont'd)

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

	2023	2022
Effective interest rate per annum:		
Fixed rate borrowings		
— The PRC	0.70% to 6.48%	0.75% to 6.48%
— Africa	7.00% to 17.0%	7.00% to 16.50%
Variable rate borrowings		
— The PRC	3.65% to 6.75%	3.85% to 5.30%

The Group's variable rate borrowing carry interest that reference to loan prime rate in the PRC.

In respect of a bank loan with carrying amount of RMB1,515,611,000 as at 31 December 2023 (2022: RMB414,486,000) raised by 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Shaanxi Yaobai"), 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli") and Great Lake Cement SAS ("Great Lake Cement"), subsidiaries of the Company, these subsidiaries are required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

Shaanxi Yaobai

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

Baihong Ouli

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

Great Lake Cement SAS

- Debtor Service Cover Ratio ("DSCR") shall not be less than 1.5:1 starting from the 2nd anniversary of the date of the borrowing to the final maturity date (i.e. 12 August 2024).

DSCR means, (1) the aggregate of the earnings before interest, tax, depreciation and amortisation (EBITDA) minus capital expenditure minus charge in working capital and the current cash balance; to (2) the mounts of repayment, interests and any related costs fall due during the period.

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

Included in borrowing represents carrying amount of RMB1,430,000,000 (2022: RMB1,229,400,000) jointly guaranteed by either Mr. Zhang Jimin, the executive director or Mr. Zhang Jimin and his wife.

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

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

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34. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	1,966,030	2,067,923
Bill payables	313,000	11,300
	2,279,030	2,079,223
Payables for constructions and equipment purchase	1,929,682	1,651,309
Other tax liabilities	152,862	171,473
Payroll and welfare payable	67,515	84,594
Interest payables	41,221	2,076
Consideration payable (Note 43)	24,300	55,500
Other payables	254,580	442,389
Deposits payables	84,510	122,990
Other long-term payable — current portion (Note 40)	291,729	267,848
	5,125,429	4,877,402

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

	2023 RMB'000	2022 RMB'000
0 to 90 days	848,765	1,238,344
91 to 180 days	317,561	341,497
181 to 360 days	314,355	228,292
361 to 720 days	288,048	145,730
Over 720 days	197,301	114,060
	1,966,030	2,067,923

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35. SENIOR NOTES

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

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

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

Movement of carrying amount of Senior Notes is as below:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	4,204,158	3,876,911
Interest expenses	220,676	209,780
Interest paid	(210,175)	(194,322)
Exchange adjustment	109,534	311,789
Carrying amount at 31 December	4,324,193	4,204,158

Notes to the Consolidated Financial Statements

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36. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
At 31 December	721,709	453,687

As at 1 January 2022, contract liabilities amounted to RMB257,925,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts. Approximately RMB428,046,000 of contract liabilities brought forward from prior year had been recognised during the year ended 31 December 2023 (2022: RMB221,326,000).

37. ASSET RETIREMENT OBLIGATION

	2023 RMB'000	2022 RMB'000
At 1 January	335,693	337,043
Addition	34,336	19,290
Unwinding of discount	16,483	21,280
Utilisation of provision	(28,334)	(41,920)
At 31 December	358,178	335,693

During the year ended 31 December 2023, the Group recognised assets retirement obligation of RMB34,336,000 (2022: RMB19,290,000) relating to the acquired mining rights as disclosed in Note 19.

38. MEDIUM-TERM NOTES

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

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000. This amount was fully repaid in 2022.

On 2 September 2020, the Group issued the second tranche of the medium-term note with principal amount of RMB700,000,000 ("Second Tranche of the Medium-term Note") which carry interest of 7% per annum with maturity date of three years from the date of 4 September 2020. The Second Tranche of the Medium-term Note carries effective interest rate of approximately 7.11% per annum after adjusted for transaction costs of RMB6,300,000. This amount was fully repaid in 2023.

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38. MEDIUM-TERM NOTES (Cont'd)

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	714,431	1,236,416
Interest expenses	34,569	64,515
Interest paid	(49,000)	(86,500)
Repayment	(700,000)	(500,000)
Carrying amount at 31 December	–	714,431
Analysed as:		
Current liabilities	–	714,431

39. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants relating to acquisition of property, plant and equipment (Note)	25,654	31,781
Less: amounts expected to be recognised within one year	(4,850)	(3,527)
	20,804	28,254

Note: The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB6,127,000 (2022: RMB8,837,000) was released to profit or loss and recorded in other income in the current reporting period.

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40. OTHER LONG-TERM PAYABLES

	2023 RMB'000	2022 RMB'000
Payable related to Dugongo (defined below) (Note a)	895,283	842,681
Payable for mining rights (Note b)	340,140	312,195
Provision for administrative penalty (Note c)	149,394	–
	1,384,817	1,154,876
Less: current portion (Note 34)	(291,729)	(267,848)
	1,093,088	887,028

Notes:

- (a) In 2020, the Group recorded US\$174,788,000 (equivalent to RMB1,138,506,000) payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party. The payable is unsecured, with original repayment period from 2022 to 2026 (borne interest rate of 4.62% per annum) was extended to a new repayment periods from 2024 to 2028 as at 31 December 2023 and bears new interest rate of 2.36% per annum.
- (b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理辦法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.20% to 4.65% per annum.
- (c) During the year ended 31 December 2022, the Group received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group was ordered to pay a penalty that was measured based on a percentage of the total sales in the region during such period. The directors of the Company determined that the penalty order made by SXAMR was unjustified and the Group had filed an objection to the State Administration for Market Regulation ("SAMR") against the original order during the same year.

In October 2022, the proceeding of the objection to SAMR was temporary suspended and the Group and SXAMR was undergone arbitration on the penalty order. In March 2023, the Group and SXAMR could not reach to a settlement and the proceeding of objection was resumed. On 21 March 2023, SAMR upheld the original judgement made by SXAMR. In April 2023, the Group commenced an administrative litigation to Beijing Intellectual Property Court ("BJIPC") against the order from SXAMR and the result of objection from SAMR. In December 2023, BJIPC upheld the original judgement made by SXAMR and SAMR.

On 5 January 2024, the Group filed an appeal to The Supreme People's Court of the People's Republic of China (The "Supreme People's Court"). Up to the date of issuance of these consolidated financial statements, the Group has yet to receive any hearing notice from the Supreme People's Court.

The Group had made a further provision of approximately RMB119,616,000 in relation to the administrative penalty for the year ended 31 December 2023 (2022: RMB29,778,000) which represented the management's best estimate that an outflow of resources embodying economic benefits will be required to settle the obligation as at 31 December 2023. As at 31 December 2023, the Group had provided RMB149,394,000 (2022: RMB29,778,000 (included in other payables)) in respect of administrative penalty.

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41. SHARE CAPITAL

	Share capital		
	Number of shares '000	Shown in the consolidated financial statements	
		GBP'000	RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2022, 31 December 2022 and 2023	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2022, 31 December 2022 and 2023	5,438,883	10,876	141,837

42. RESERVES

Equity reserve

Equity reserve comprises:

- On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.
- On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.
- On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of 安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co., Ltd.* ("Jianghua Yaobai") to acquire the remaining 20% equity interests in Jianghua Yaobai from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.
- On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. RESERVES (Cont'd)

Equity reserve (Cont'd)

Equity reserve comprises: (Cont'd)

- (e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of 陝西建達信工程有限公司 Jiandaxin Engineering Inspection Company* ("Jiandaxin") to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.
- (f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of Xinyida Hengzhong to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was credited directly to equity reserve.
- (g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of Baihong Ouli to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was debited directly to equity reserve.
- (h) During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. These assets, with original carrying amount of approximately US\$201,804,000 (equivalent to RMB1,428,771,000), was revalued at approximately of US\$214,758,000 (equivalent to RMB1,520,381,000) at the time of injection. Dugongo was liable to take up the respective payable of approximately US\$201,804,000 (equivalent to RMB1,428,771,000) as a result of such injection. The difference of RMB89,477,000 (after deducting the capital contribution of RMB2,133,000 by the non-controlling shareholder) was deemed as the contribution from the non-controlling shareholder. Amount of RMB53,686,000 was directly credited to the equity reserve which represents the portion attributed to the Group as a result of such injection.
- (i) On 23 May 2023, the Group acquired 30.5% of equity interest in Paomashan from the non-controlling shareholder through court auction. The difference amounted to RMB89,910,000 between the consideration of RMB62,960,000 and the non-controlling interest increased of RMB26,950,000 was debited directly to equity reserve.

Statutory reserve

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

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

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES

For the year ended 31 December 2022

Acquisitions of subsidiaries

(a) Acquisition of Paomashan

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

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

Acquisitions of subsidiaries (Cont'd)

(a) Acquisition of Paomashan (Cont'd)

Non-controlling interests

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

Goodwill arising on acquisition

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

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

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

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

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

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

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

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For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

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

Acquisitions of subsidiaries (Cont'd)

(b) Acquisition of NCSC

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

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

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

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

Consideration transferred

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

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

Acquisitions of subsidiaries (Cont'd)

(b) Acquisition of NCSC (Cont'd)

Non-controlling interests

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

Goodwill arising on acquisition

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

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

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

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

Acquisition of businesses

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

(a) Hengji Concrete

Consideration transferred

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

As at 31 December 2023, all the remaining consideration payable was fully paid.

Fair value of assets acquired at the date of acquisition

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

Goodwill arising on acquisition

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

Net cash outflow arising on acquisition of assets from Hengji Concrete

	RMB'000
Consideration paid in cash	80,000

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For the year ended 31 December 2023

43. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

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

Acquisition of businesses (Cont'd)

(b) Juxin Building

Consideration transferred

	RMB'000
Cash	45,000
Consideration payable due within one year included in other payables at 31 December 2022 and 2023	23,000
	68,000

Fair value of assets acquired at the date of acquisition

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

Goodwill arising on acquisition

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

Net cash outflow arising on acquisition of assets from Juxin Building

	RMB'000
Consideration paid in cash	45,000

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

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

The management considered the impact on acquisition of results of Hengji Concrete and Juxin Building were insignificant during the year ended 31 December 2022 and accordingly no such information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

44. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2023

On 30 September 2022, the Group entered into a sale and purchase agreement with the Seller to acquire the remaining 50% equity interests in a joint venture Baicheng Real Estate at a total consideration of RMB10,000,000.

On 1 February 2023, the acquisition was completed and the Group obtained control over the operation of Baicheng Real Estate. After the acquisition, the Group owned 100% equity interests in Baicheng Real Estate. Baicheng Real Estate is principally engaged in real estate development and operation.

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

The consideration of RMB10,000,000 is fully settled by the amount due from the Seller (included in loan receivables).

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

	RMB'000
<i>Assets</i>	
Other receivables and prepayments	30,744
Properties under development	699,106
Property, plant and equipment	445
Restricted bank deposits	5,691
Bank balances and cash	4,485
<i>Liabilities</i>	
Borrowings from the Group	(516,004)
Amount due to the Group	(118,823)
Trade and other payables	(70,126)
Contract liabilities	(15,518)
Net assets acquired	20,000
Net assets acquired attributable to:	
— owners of the Company	20,000

Cash inflow arising on acquisition of Baicheng Real Estate

	RMB'000
Cash and cash equivalents acquired	4,485

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

45. DERECOGNITION OF A SUBSIDIARY

On 10 July 2023, one of the creditors of Paomashan lodged a filing to the People's Court of Kangding City, the PRC (the "Kangding People's Court") to liquidate Paomashan for default. On 5 September 2023, the Kangding People's Court appointed liquidation administrator to take over the control of Paomashan. As such, the directors of the Company assessed and concluded the Group lost control over Paomashan and Paomashan was derecognised as a subsidiary to the Group during the year ended 31 December 2023.

In addition, since Paomashan was in liquidation process as at 31 December 2023, the management estimate that it may not be able to fully recover the receivables due from Paomashan of RMB473,053,000. Accordingly, the Group recognised an impairment loss of receivables of approximately RMB265,851,000, which represented the Group's best estimate after taking into consideration all the available facts.

Analysis of assets and liabilities over which control was lost:

	RMB'000
<i>Assets</i>	
Trade and other receivables and prepayments	40,694
Other current assets	3,898
Inventories	55,610
Deferred tax asset	22,136
Other intangible assets	226
Property, plant and equipment	575,766
Cash and cash equivalents	1,738
<i>Liabilities</i>	
Borrowings from the Group	(727)
Bank borrowing	(47,800)
Trade and other payables	(737,710)
Contract liabilities	(9,027)
Net liabilities derecognised	(95,197)

Loss on derecognition of a subsidiary

	RMB'000
Net liabilities derecognised	95,197
Derecognition of goodwill at Group level	(70,839)
Reversal of non-controlling interests	(14,158)
Impairment loss on receivables due from Paomashan	(265,851)
Loss on disposal	(255,651)

As at the date of this report, the liquidation is still in progress.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,668,325	3,283,378

47. SHARE-BASED PAYMENTS

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

47. SHARE-BASED PAYMENTS (Cont'd)

Fair value of the share options

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

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

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2023 and 2022:

Year ended 31 December 2023

	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Number of options ('000)				
					Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2023
Second Issuance	22 March 2013	Expired	22 March 2014 to 21 March 2023	HK\$1.25	10,050	-	-	10,050	-
Third Issuance	24 March 2014	3 months	24 March 2015 to 23 March 2024	HK\$0.91	21,900	-	-	750	21,150
Fourth Issuance	13 April 2015	1 year 3 months	13 April 2016 to 12 April 2025	HK\$1.45	24,700	-	-	8,000	16,700
					56,650	-	-	18,800	37,850
Exercisable at the end of the year									37,850
Weighted average exercise price									HK\$1.15

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47. SHARE-BASED PAYMENTS (Cont'd)

Fair value of the share options (Cont'd)

Year ended 31 December 2022

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

No share options were exercised during the years ended 31 December 2023 and 2022.

During the year ended 31 December 2023, 18,800,000 share options were lapsed (2022: nil).

48. RETIREMENT BENEFITS PLANS

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

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

The total expense recognised in the profit or loss of RMB67,362,000 (2022: RMB57,228,000) represents contributions paid or payable under the retirement benefit scheme.

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49. RELATED PARTY DISCLOSURES

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

Key management compensation

	2023 RMB'000	2022 RMB'000
Salaries and allowances	10,803	11,493
Performance related bonus	4,232	4,885
Retirement benefits	120	111
	15,155	16,489

50. ASSETS PLEDGED FOR SECURITY

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

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	4,726,510	3,380,392
Trade receivables	1,910	75,773
Right-of-use assets	179,490	177,773
Properties under development	556,903	–
Pledged bank deposits	1,008,676	561,308
	6,473,489	4,195,246

During the year ended 31 December 2022, the Group pledged its equity interests in three subsidiaries, Guizhou Linshan, Mianxian and Xiushan Yaobai, to the bank to secure a banking facility totalling RMB150,000,000 for a period of one year which has already been drawn down as at 31 December 2022. As at 31 December 2023, the borrowings were fully repaid and the pledge had been released upon the repayment of the borrowings to the bank.

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51. FINANCIAL INSTRUMENTS

a. Capital risk management

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

The capital structure of the Group consists of net debts (borrowings, medium-term notes and senior notes as detailed in Notes 33, 38 and 35, respectively, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity).

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

b. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	5,488,166	5,682,632
— Equity investment at FVTPL	37,128	92,593
Financial liabilities		
— Amortised cost	16,654,571	15,129,812

c. Financial risk management objectives and policies

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

Market risks

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

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For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risks (Cont'd)

(i) Foreign currency risk

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

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

	Liabilities		Assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
The US\$	4,324,193	4,204,158	411,013	820,189
Euros ("EUR")	140,388	151,719	1,199	1,350
	4,464,581	4,355,877	412,212	821,539
Other foreign currency (including HK\$, MZN, ETB ("Ethiopian Birr"), and Singapore Dollar, etc.)	–	–	3,104	130,132

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

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2022: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB146,744,000 (2022: RMB126,899,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, pledged/restricted bank deposits, fixed-rate borrowings, medium-term notes and senior notes (as detailed in Notes 25, 32, 33, 38 and 35, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 33) and bank balances (Note 32).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risks (Cont'd)

(ii) Interest rate risk (Cont'd)

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would be decreased/increased by approximately RMB5,171,000 (2022: RMB3,742,000).

(iii) Other price risk

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

Credit risk and impairment assessment

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

Trade receivables arising from contracts with customers

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

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

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

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2023 and 2022 within lifetime ECL. Debtors with significant and credit-impaired balances with gross carrying amounts of RMB385,389,000 (2022: RMB331,617,000) as at 31 December 2023 were assessed individually. The Group recognised expected credit loss amounted to approximately RMB41,167,000 (2022: RMB3,255,000) in respect of these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

As at 31 December 2023

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	386,364
1 to 90 days past due	1.8%	200,747
91 to 360 days past due	26.4%	259,039
Over 360 days past due	43.9%	101,480
		947,630

As at 31 December 2022

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	373,853
1 to 90 days past due	1.8%	142,710
91 to 360 days past due	23.3%	177,431
Over 360 days past due	41.4%	227,688
		921,682

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

During the year ended 31 December 2023, the Group reversed an impairment allowance of RMB19,227,000 (2022: the Group recognised an additional impairment allowance for trade receivables of RMB14,738,000) based on the provision matrix.

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

Loan receivables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Loan receivables (Cont'd)

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

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

Cash and cash equivalents and pledged/restricted bank deposits

The credit risks on cash and cash equivalents and pledged/restricted bank deposits are limited because the counterparties are reputational banks/financial institutions with high credit ratings internationally/locally.

Other receivables

Other receivables that is measured at amortised cost were considered of low credit risk (except for the receivables due from Paomashan which the balance was considered of high credit risk and was assessed based lifetime ECL), and thus the impairment provision recognised during the year was limited to 12m ECL. The management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for the impairment of receivables due from Paomashan as disclosed in Note 45, during the year ended 31 December, the Group recognised ECL amounted to RMB344,000 (2022: reversal of ECL of RMB2,146,000).

Amount due from a joint venture

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount		2022 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
— Loan receivables	25	N/A	Low risk	12m ECL	100,000		101,669	
			Doubtful	Lifetime ECL — not credit-impaired	573,900		603,000	
			Loss	Lifetime ECL — credit-impaired	212,896	886,796	274,646	979,315
— Trade receivables backed by bills	29	N/A	(note 2)	12m ECL	401,636	401,636	463,468	463,468
— Trade receivables	29	N/A	(note 3)	Lifetime ECL (provision matrix)	947,630		921,682	
			Watch list	Lifetime ECL (significant balances, individually assessed)	379,154		331,617	
			Loss	Lifetime ECL (credit-impaired)	6,235	1,333,019	735	1,254,034
— Other receivables	29	N/A	(note 1)	12m ECL	991,313		738,405	–
				Lifetime ECL	473,053	1,464,366	–	738,405
— Amount due from a joint venture	31	N/A	(note 4)	12m ECL	–	–	634,827	634,827
— Cash and cash Equivalent (Bank balances)	32	N/A	(note 5)	12m ECL	902,002	902,002	1,420,637	1,420,637
— Pledged/restricted bank deposits	32	N/A	(note 5)	12m ECL	1,199,704	1,199,704	621,627	621,627

Notes:

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

	Past due RMB'000	Not past due RMB'000	Total RMB'000
2023			
Other receivables	207,202	990,969	1,198,171
2022			
Other receivables	—	738,405	738,405

2. The Group set different categories for customers settling with bills according to the internal credit rating assessment. The Group does not accept bills from customers with lower credit ratings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Notes: (Cont'd)

3. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.
4. The Group considered the amount due from a joint venture being low credit risk. ECL is assessed according to internal credit rating assessment.
5. These bank balances were placed in banks with good reputational banks internationally/locally.

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 2022	159,642	3,010	162,652
Changes due to financial instruments recognised as at 1 January 2022:			
— Transfer to credit-impaired	(396)	396	–
— Impairment losses recognised	10,688	–	10,688
— Impairment losses reversed	(56,423)	(1,685)	(58,108)
— Write-offs	–	(986)	(986)
New financial assets originated or purchased	65,413	–	65,413
As at 31 December 2022	178,924	735	179,659
Changes due to financial instruments recognised as at 1 January 2023:			
— Transfer to credit-impaired	(5,895)	5,895	–
— Impairment losses recognised	13,605	–	13,605
— Impairment losses reversed	(73,041)	(375)	(73,416)
— Write-offs	–	(21)	(21)
New financial assets originated or purchased	81,751	–	81,751
As at 31 December 2023	195,344	6,234	201,578

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

	2023		2022	
	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000
Trade debtors with gross carrying amount of RMB321,558,000 recognised at 1 January 2023 (2022: RMB297,115,000)	13,605	–	10,688	–
One trade debtor with a gross carrying amount of RMB5,895,000 (2022: RMB396,000) defaulted and transferred to credit-impaired	(5,895)	5,895	(396)	396
Settlement in full of trade debtors with a gross carrying amount of RMB932,476,000 (2022: RMB857,910,000)	(73,041)	(375)	(56,423)	(1,685)
New trade receivables with gross carrying amount of RMB1,011,461,000 (2022: RMB956,919,000)	81,751	–	65,413	–

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	3,436	86,058	110,282	199,776
Changes due to financial instruments recognised as at 1 January 2022				
— Transfer to credit-impaired	(837)	(1,200)	2,037	–
— Transfer to lifetime ECL	(1,323)	1,323	–	–
— Impairment losses recognised	–	15,576	76,402	91,978
— Impairment losses reversed	(1,258)	(19,773)	(22,787)	(43,818)
New financial assets originated or purchased	4,878	–	–	4,878
As at 31 December 2022	4,896	81,984	165,934	252,814
Changes due to financial instruments recognised as at 1 January 2023				
— Transfer to credit-impaired	–	(3,692)	3,692	–
— Impairment losses recognised	–	5,426	24,105	29,531
— Impairment losses reversed	(4,896)	(45,919)	(21,334)	(72,149)
New financial assets originated or purchased	5,730	33,093	–	38,823
As at 31 December 2023	5,730	70,892	172,397	249,019

The average loss rate of loan receivables for the year is 28.1% (2022: 25.8%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Changes in the loss allowance for loan receivables are mainly due to:

	31 December 2023		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB411,600,000 (2022: RMB101,600,000)	5,730	33,093	–
Settlement in full of loan receivables with a gross carrying amount of RMB489,407,000 (2022: RMB326,965,000)	(4,896)	(45,919)	(21,334)
Past due loan receivables with a gross carrying amount of RMB786,796,000 (2022: RMB985,446,000)	–	1,734	27,797
	834	(11,092)	6,463

	31 December 2022		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB101,600,000 (2021:RMB24,400,000)	4,878	–	–
Settlement in full of loan receivables with a gross carrying amount of RMB326,965,000 (2021:RMB670,084,000)	(1,258)	(19,773)	(22,787)
Past due loan receivables with a gross carrying amount of RMB985,446,000 (2021:RMB1,068,353,000)	(2,160)	15,699	78,439
	1,460	(4,074)	55,652

During the year ended 31 December 2023, the Group recognised an impairment loss for other receivables of RMB344,000 (2022: reversed an impairment loss previously recognised for other receivables of RMB2,146,000) and the Group write off other receivables of nil (2022: RMB733,000). The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

As at 31 December 2023, the Group has net current liabilities position of approximately RMB1,999,589,000. Given that (1) the Group has obtained unused banking facilities of approximately RMB1,652,018,000 as at the reporting date, which is available for drawdown and utilisation in the course of ordinary business; (2) the Group had been also in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB2,123,580,000 from various banks; and further (3) the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future. The directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Trade and other payables	-	4,905,052	-	-	-	4,905,052	4,905,052
Other long-term payables	2.36%~4.65%	-	317,214	487,185	289,153	1,093,552	943,694
Borrowings							
— variable rates	4.50%	228,323	324,433	903,208	81,735	1,537,699	1,378,891
— fixed rates	4.91%	3,665,689	430,507	1,256,458	644,551	5,997,205	4,973,326
Dividend payables	-	129,415	-	-	-	129,415	129,415
Senior notes	4.95%	210,785	210,785	4,368,004	-	4,789,574	4,324,193
		9,139,264	1,282,939	7,014,855	1,015,439	18,452,497	16,654,571

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

51. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Trade and other payables	–	4,621,335	–	–	–	4,621,335	4,621,335
Other long-term payables	4.45%~4.65%	–	270,413	498,548	303,222	1,072,183	887,028
Borrowings							
— variable rates	4.39%	119,595	107,897	646,999	313,414	1,187,905	997,886
— fixed rates	5.66%	3,271,362	164,677	154,723	678,756	4,269,518	3,616,564
Dividend payables	–	88,410	–	–	–	88,410	88,410
Senior notes	4.95%	205,200	205,200	4,458,040	–	4,868,440	4,204,158
Medium-term notes (including related interest)	7.00%	736,750	–	–	–	736,750	714,431
		9,042,652	748,187	5,758,310	1,295,392	16,844,541	15,129,812

d. Fair values of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group used market-observable data to the extent that is available.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

Name	Fair value as at	Fair value hierarchy	Valuation techniques and key input(s)
	31/12/2023 RMB'000	31/12/2022 RMB'000	
Equity investment at FVTPL	37,128	92,593	Level 1 Quoted bid price in an active market

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of the financial assets and liabilities recorded at amortised cost are determined in accordance with the generally accepted pricing model based on discounted cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Senior notes	Medium-term notes	Dividend payables	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000
At 1 January 2022	4,017,192	3,876,911	1,236,416	8,000	4,215	9,142,734
Financing cash flows	174,698	(194,322)	(586,500)	(482,183)	(2,139)	(1,090,446)
Non-cash financing activities:						
Interest expenses	180,038	209,780	64,515	–	–	492,076
Foreign exchange difference	(7,646)	311,789	–	(3,624)	–	368,680
Acquisition of subsidiaries	250,168	–	–	70,783	–	320,951
Dividend set off with receivables	–	–	–	(4,574)	–	(4,574)
Dividends declared	–	–	–	473,183	–	473,183
Dividend declared to a non-controlling shareholder	–	–	–	26,825	–	26,825
At 31 December 2022	4,614,450	4,204,158	714,431	88,410	2,076	10,466,206
Financing cash flows	1,537,257	(210,175)	(749,000)	(385,656)	–	192,426
Non-cash financing activities:						
Interest expenses	249,653	220,676	34,569	–	39,145	544,043
Foreign exchange difference	2,636	109,534	–	(1,364)	–	110,806
Hyperinflation restatement	(3,979)	–	–	–	–	(3,979)
Derecognition of a subsidiary	(47,800)	–	–	–	–	(47,800)
Dividend tax withheld	–	–	–	(8,474)	–	(8,474)
Dividends declared	–	–	–	364,405	–	364,405
Dividend declared to a non-controlling shareholder	–	–	–	72,094	–	72,094
At 31 December 2023	6,352,217	4,324,193	–	129,415	41,221	10,847,046

Note: Interest payables are included in trade and other payables (Note 34).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2023	2022	
Directly held						
West China BVI	Ordinary	British Virgin Islands	HK\$7,800	100%	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	100%	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd.* 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	100%	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd.* 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	100%	100%	Production and sale of cement
Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	100%	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd.* 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	100%	100%	Purchase and sale of raw materials
Xixiang 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	100%	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	100%	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	100%	100%	Production and sale of cement
Jianghua Yaobai 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2023	2022	
Hancheng Yaobai Yangshanzhuang Cement Co., Ltd.* ("Hancheng Yaobai") 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	80%	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	100%	100%	Production and sale of cement
Shifeng 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Fuping 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	100%	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	100%	100%	Production and sale of cement
Yili Yaobai 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Yaowangshan 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd.* ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	100%	100%	Finance lease business
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	100%	100%	Transportation

* The English name is for identification purpose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2023	2022	
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement
Shaanxi Fuda Mining Engineering Co., Ltd* 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	100%	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
West International Holding Limited 西部國際控股有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Xinyida Jiancai 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	60%	60%	Sale of cement and related material
Xinyida Hengzhong 陝西新意達恒眾混凝土有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	48%	48%	Sale of cement and related material
Dugongo	Ordinary	Mozambique	MZN 100,000,000	60%	60%	Production and sale of cement and related material
Hongxing Glass Congo SARL ("Hongxing Glass")	Ordinary	Republic of Congo	XAF100,000,000	100%	100%	Production and sale of glass
Shangnan Hucongping Mining Development Co., Ltd.* 商南葫草坪礦業開發有限公司	Ordinary	Shaanxi, PRC	RMB11,960,766	100%	100%	Exploitation and sales of mines
Shaanxi Jinping Mining Co., Ltd. 陝西金平礦業有限公司	Ordinary	Shaanxi, PRC	RMB5,000,000	60%	60%	Exploitation and sales of mines
NCSC	Ordinary	Ethiopia	ETB833,210,000	62%	62%	Production and sale of cement and related material
Great Lake Cement	Ordinary	Democratic Republic of Congo	US\$100	100%	100%	Production and sale of cement and related material
Baicheng Real Estate	Ordinary	Shaanxi, PRC	RMB10,000,000	100%	50%	Real estate development and operation

* The English name is for identification purpose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

- (a) Except for West China BVI, Faithful Alliance, Dugongo, Hongxing Glass, NCSC, Great and Lake Cement, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.
- (b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.
- (c) None of the subsidiaries had issued any debt securities at the end of the year.

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Hancheng Yaobai	Shaanxi, PRC	20%	20%	(4,668)	7,802	47,519	52,187
Dugongo	Moçambique	40%	40%	87,602	126,533	424,732	337,130
Xinyida Hengzhong	Shaanxi, PRC	40%	52%	381	1,195	55,785	62,544
NCSC	Ethiopia	38%	38%	176,995	(12,071)	1,224,104	826,667
Individually immaterial subsidiaries with non-controlling interests				(5,679)	(6,045)	132,365	81,870
Total				254,631	117,414	1,884,505	1,360,398

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Hancheng Yaobai

Summarised financial information of Hancheng Yaobai which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 RMB'000	2022 RMB'000
Current assets	186,010	151,757
Non-current assets	172,291	194,813
Current liabilities	81,708	85,634
Non-current liabilities	39,000	–
Equity attributable to owners of the Company	190,074	208,749
Non-controlling interests	47,519	52,187
	2023 RMB'000	2022 RMB'000
Revenue	179,451	284,323
Expenses	(202,790)	(245,314)
(Loss) profit for the year	(23,339)	39,009
(Loss) profit attributable to:		
— owners of the Company	(18,671)	31,207
— non-controlling interests	(4,668)	7,802
Dividends paid to non-controlling interests of Hancheng Yaobai	–	8,000
Net cash inflow from operating activities	23,398	54,408
Net cash outflow from investing activities	(43,639)	(46,856)
Net cash inflow (outflow) from financing activities	39,924	(8,000)
Net cash income (outflow)	19,683	(448)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo

Summarised financial information of Dugongo which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 RMB'000	2022 RMB'000
Current assets	565,113	409,188
Non-current assets	2,967,114	3,045,922
Current liabilities	1,381,704	1,576,195
Non-current liabilities	1,088,694	1,036,091
Equity attributable to owners of the Company	637,097	505,694
Non-controlling interests	424,732	337,130

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo (Cont'd)

	2023 RMB'000	2022 RMB'000
Revenue	979,052	797,955
Expenses	(768,896)	(509,574)
Profit attributable to:		
— owners of the Company	126,094	173,029
— non-controlling interests	84,062	115,352
Profit for the year	210,156	288,381
Other comprehensive income attributable to:		
— the Company	5,310	16,772
— non-controlling interests	3,540	11,181
Other comprehensive income for the year	8,850	27,953
Total comprehensive income attributable to:		
— owners of the Company	131,404	189,801
— non-controlling interests	87,602	126,533
Total comprehensive income for the year	219,006	316,334
Net cash inflow from operating activities	232,772	136,485
Net cash outflow from investing activities	(103,871)	(56,888)
Net cash outflow from financing activities	(147,713)	(48,254)
Net cash (outflow) inflow	(18,812)	31,343

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Xinyida Hengzhong

Summarised financial information of Xinyida Hengzhong which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 RMB'000	2022 RMB'000
Current assets	201,499	174,166
Non-current assets	10,139	8,724
Current liabilities	72,175	63,165
Equity attributable to owners of the Company	83,678	57,181
Non-controlling interests	55,785	62,544
	2023 RMB'000	2022 RMB'000
Revenue	99,705	109,729
Expenses	(98,753)	(107,442)
Profit for the year	952	2,287
Profit attributable to:		
— owners of the Company	571	1,092
— non-controlling interests	381	1,195
Purchase of non-controlling interests	7,140	–
Net cash inflow (outflow) from operating activities	2,697	(335)
Net cash outflow from investing activities	(113)	(323)
Net cash outflow from financing activities	(4,258)	–
Net cash outflow	(1,674)	(658)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC

Summarised financial information of NCSC which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 RMB'000	2022 RMB'000
Current assets	1,984,133	1,724,861
Non-current assets	2,222,404	1,417,926
Current liabilities	443,559	394,008
Non-current liabilities	542,500	573,911
Equity attributable to owners of the Company	1,996,374	1,348,201
Non-controlling interests	1,224,104	826,667

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC (Cont'd)

	2023 RMB'000	From 14 November 2022 (date of acquisition) to 31 December 2022 RMB'000
Revenue	1,320,232	135,746
Expenses	(819,501)	(106,632)
Profit attributable to:		
— owners of the Company	310,403	18,048
— non-controlling interests	190,328	11,066
Profit for the year/period	500,731	29,114
Dividends declared to non-controlling interests of NCSC	72,094	–
Other comprehensive income (expense) attributable to:		
— Owners of the Company	(21,745)	(37,734)
— non-controlling Interests	(13,333)	(23,137)
Other comprehensive income (expense) for the year/period	(35,078)	(60,871)
Total comprehensive income (expense) attributable to:		
— owners of the Company	288,658	(19,686)
— to non-controlling interests	176,995	(12,071)
Total comprehensive income (expense) for the year/period	465,653	(31,757)
Net cash inflow from operating activities	449,164	61,757
Net cash outflow from investing activities	(894,919)	(254,657)
Net cash (outflow) inflow from financing activities	(39,746)	706,814
Net cash (outflow) inflow	(485,501)	513,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	1,700,742	1,700,742
Property, plant and equipment	65	95
Amounts due from subsidiaries	8,105,026	7,142,494
Equity investment at FVTPL	37,128	92,593
	9,842,961	8,935,924
Current assets		
Other receivables and prepayments	281,064	258,907
Cash and cash equivalents	126,650	230,016
	407,714	488,923
Current liabilities		
Amounts due to subsidiaries	241,230	220,451
Other payables	2,256	5,807
	243,486	226,258
Net current assets	164,228	262,665
Total assets less current liabilities	10,007,189	9,198,589
Non-current liability		
Senior notes	4,324,193	4,204,158
Net assets	5,682,996	4,994,431
Capital and reserves		
Share capital	141,837	141,837
Share premium and reserves	5,541,159	4,852,594
	5,682,996	4,994,431

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movements in reserves

	Share premium RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	1,827,209	22,724	2,104,961	3,954,894
Profit and total comprehensive income for the year	–	–	1,370,883	1,370,883
Dividends recognised as distribution	(473,183)	–	–	(473,183)
At 31 December 2022	1,354,026	22,724	3,475,844	4,852,594
Profit and total comprehensive income for the year	–	–	1,052,970	1,052,970
Expire/lapse of share-based payments	–	(4,743)	4,743	–
Dividends recognised as distribution	(364,405)	–	–	(364,405)
At 31 December 2023	989,621	17,981	4,533,557	5,541,159

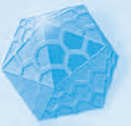
Group Financial Summary

RESULTS

	2023 RMB'000	For the year ended 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	9,020,901	8,489,135	8,002,791	7,131,052	7,247,389
Profit (loss) before tax	954,309	1,513,299	2,083,591	1,847,456	2,243,801
Income tax expense	(263,608)	(169,184)	(300,639)	(264,494)	(394,272)
Total comprehensive income (expense) for the year	624,332	1,308,402	1,871,582	1,579,410	1,849,529
Attributable to:					
Owners of the Company	369,701	1,190,988	1,640,021	1,556,928	1,801,281
Non-controlling interests	254,631	117,414	231,561	22,482	48,248
	624,332	1,308,402	1,871,582	1,579,410	1,849,529

ASSETS AND LIABILITIES

	2023 RMB'000	At 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	32,902,850	30,239,253	26,648,351	18,906,232	14,579,813
Total liabilities	18,734,900	(16,847,502)	(14,856,724)	(8,379,015)	(5,354,149)
	14,167,950	13,391,751	11,791,627	10,527,217	9,225,664
Equity attributable to:					
Owners of the Company	12,283,445	12,031,353	11,313,548	10,330,802	9,052,939
Non-controlling interests	1,884,505	1,360,398	478,079	196,415	172,725
	14,167,950	13,391,751	11,791,627	10,527,217	9,225,664



Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

(incorporated in Jersey with limited liability)

OPINION

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

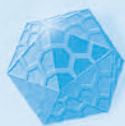
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial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

BASIS FOR OPINION

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

KEY AUDIT MATTER

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



Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessment for past due loan receivables

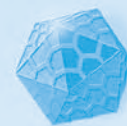
We identified the impairment assessment of the past due loan receivables as a key audit matter due to the significance of the past due loan receivables to the Group's consolidated financial statements and the involvement of significant judgement and management estimates in assessing the expected credit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

As disclosed in Note 24 to the consolidated financial statements, as at 31 December 2022, the Group had past due loan receivables of approximately RMB629,660,000 which represented approximately 2.1% of the total assets of the Group.

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

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

- Obtaining an understanding of the Group's key controls on how the management estimates the credit loss allowance for the past due loan receivables;
- Testing the completeness and accuracy of the input data of the ECL model on a sample basis, as well as the mathematical accuracy of the ECL model;
- Selecting samples to understanding and assessing the management's approach on the reasonableness of expected recoverable amounts of collaterals; and
- With the support of our internal modelling specialist and industry specialist, reviewing and assessing on the appropriateness of the ECL model used, and the reasonableness of the key inputs adopted by the management, including PD, LGD and forward looking information.



Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

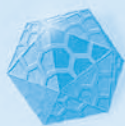
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine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

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

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

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

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



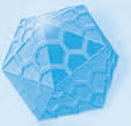
Independent Auditor's Report

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

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

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

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



Independent Auditor's Report

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

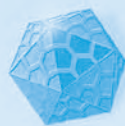
The engagement partner on the audit resulting in the independent auditor's report is Chan, Benjie Pak Kin.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

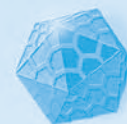
27 March 2023



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

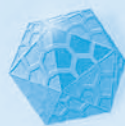
	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	8,489,135	8,002,791
Cost of sales		(6,307,305)	(5,626,224)
Gross profit		2,181,830	2,376,567
Other income	6	451,912	252,958
Selling and marketing expenses		(75,197)	(74,499)
Administrative expenses		(604,845)	(554,316)
Other expenses	11	(64,937)	(24,326)
Other gains and losses, net	7	(52,454)	386,608
Impairment losses under expected credit loss model, net of reversal	8	(68,885)	(189,450)
Share of result of an associate		–	1,904
Share of result of a joint venture		(6,407)	(190)
Interest income	9	168,898	169,416
Finance costs	10	(416,616)	(261,081)
Profit before tax	11	1,513,299	2,083,591
Income tax expense	12	(169,184)	(300,639)
Profit for the year		1,344,115	1,782,952
Other comprehensive (expense) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(35,713)	88,630
Total comprehensive income for the year		1,308,402	1,871,582
Profit for the year attributable to:			
— Owners of the Company		1,214,746	1,585,070
— Non-controlling interests		129,369	197,882
		1,344,115	1,782,952
Total comprehensive income attributable to:			
— Owners of the Company		1,190,988	1,640,021
— Non-controlling interests		117,414	231,561
		1,308,402	1,871,582
Earnings per share	14		
— Basic (RMB)		0.224	0.291
— Diluted (RMB)		0.224	0.291



Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	17	18,195,355	13,884,979
Investment properties		47,059	–
Right-of-use assets	18	827,334	823,707
Mining rights	19	1,528,031	1,117,095
Other intangible assets	20	543,560	232,195
Interest in a joint venture	22	3,403	9,810
Equity investment at fair value through profit or loss ("FVTPL")	23	92,593	162,181
Loan receivables	24	401,847	323
Deferred tax assets	25	190,639	92,463
Prepayments for right-of-use assets		38,511	58,506
Prepayments for mining rights		9,500	9,500
Deposits paid for acquisition of property, plant and equipment		858,013	317,301
Deposits paid for acquisition of subsidiaries		–	404,200
Deposits paid for acquisition of an associate		–	164,257
Other deposits	27	18,472	2,884
Amount due from a joint venture	29	634,827	534,064
		23,389,144	17,813,465
Current assets			
Inventories	26	1,488,858	1,111,169
Trade and other receivables and prepayments	27	2,990,695	2,497,218
Loan receivables	24	324,654	1,004,581
Investment in entrusted product	30	–	81,855
Pledged/restricted bank deposits	31	621,627	632,348
Cash and cash equivalents	31	1,424,275	3,507,715
		6,850,109	8,834,886
Current liabilities			
Borrowings	32	3,156,533	2,725,704
Medium-term notes	37	714,431	524,132
Trade and other payables	34	4,877,402	3,788,985
Dividend payables		88,410	8,000
Contract liabilities	35	453,687	257,925
Deferred income	38	3,527	320,995
Income tax payable		181,006	108,877
		9,474,996	7,734,618
Net current (liabilities) assets		(2,624,887)	1,100,268
Total assets less current liabilities		20,764,257	18,913,733



Consolidated Statement of Financial Position

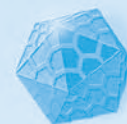
At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings	32	1,457,917	1,291,488
Medium-term notes	37	–	712,284
Asset retirement obligation	36	335,693	337,043
Deferred tax liabilities	25	459,456	83,783
Deferred income	38	28,254	27,771
Senior notes	33	4,204,158	3,876,911
Other long-term payables	39	887,028	792,826
		7,372,506	7,122,106
Net assets		13,391,751	11,791,627
Capital and reserves			
Share capital	40	141,837	141,837
Share premium and reserves	41	11,889,516	11,171,711
Equity attributable to owners of the Company		12,031,353	11,313,548
Non-controlling interests		1,360,398	478,079
Total Equity		13,391,751	11,791,627

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

Zhang Jimin
DIRECTOR

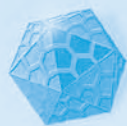
Cao Jianshun
DIRECTOR



Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

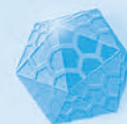


Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Notes:

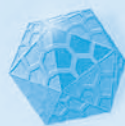
- a. Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.
 - b. On 29 January 2022, the Group entered into agreements with the non-controlling shareholders of Shaanxi Fengshengdeyuan Industrial Co., Ltd.* ("Shaanxi Fengsheng" 陝西豐盛德遠實業有限公司) to acquire 45% of the equity interests in Shaanxi Fengsheng from the non-controlling shareholders for a total consideration of RMB22,500,000.
- * The English name is for identification purpose.



Consolidated Statement of Cash Flows

For the year ended 31 December 2022

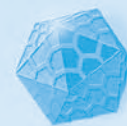
	NOTES	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		1,513,299	2,083,591
Adjustments for:			
Finance costs		416,616	261,081
Interest income		(168,898)	(169,416)
Net foreign exchange difference		(37,058)	(292,598)
Depreciation of property, plant and equipment		1,225,683	1,026,560
Depreciation of right-of-use assets		18,266	27,115
Amortisation of mining rights		41,784	27,464
Amortisation of other intangible assets		4,165	3,679
Loss on disposal of property, plant and equipment		11,714	5,758
Gain on disposal of right-of-use assets		(58)	–
Gain on fair value changes of investment in entrusted product		(5,736)	(5,600)
Loss (gain) on fair value changes of equity investment at FVTPL		69,588	(3,380)
Loss (gain) on disposal of investments in			
— a subsidiary		–	218
— an associate		–	(79,254)
Impairment loss, net of reversal, under expected credit loss model	8	68,885	189,450
Impairment on mining rights		–	20,803
Impairment on property, plant and equipment		–	96,346
Provision for administrative penalty		29,778	–
Write-down (reversal) of inventories		3,014	(1,701)
Share of result of an associate		–	(1,904)
Share of result of a joint venture		6,407	190
Government grants released to profit or loss		(317,319)	(14,365)
Operating cash flows before movements in working capital		2,880,130	3,174,037
Increase in inventories		(253,943)	(367,356)
Increase in trade and other receivables and prepayments		(13,367)	(267,342)
Decrease in trade and other payables		(303,864)	(276,852)
Increase (decrease) in contract liabilities		48,533	(2,669)
Cash generated from operations		2,357,489	2,259,818
Income tax paid		(222,951)	(300,168)
Net cash from operating activities		2,134,538	1,959,650



Consolidated Statement of Cash Flows

For the year ended 31 December 2022

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

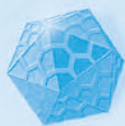
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification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

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.1 Basis for preparation of consolidated financial statements

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

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

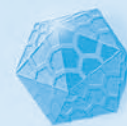
- as at 31 December 2022, the Group has unused banking facility of approximately RMB1,492,895,000, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these consolidated financial statements;
- subsequent to 31 December 2022, the Group has obtained additional banking facilities of approximately RMB863,638,000, which is made available for the Group to utilise at the date of granting such facilities;
- subsequent to 31 December 2022, the Group had been in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB1,838,042,000 from various banks; and
- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

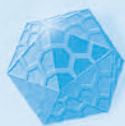
The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Basis of consolidation (Cont'd)

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

Changes in the Group's interests in existing subsidiaries

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

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

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

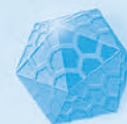
Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations

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

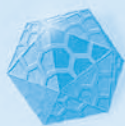
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations (Cont'd)

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

Goodwill

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

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

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

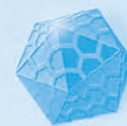
On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a CGU within a group of CGUs), the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

Interest in an associate and a joint venture

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

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

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

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

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

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

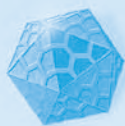
Revenue from contracts with customers

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

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

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

Principal versus agent

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

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

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

Leases

Definition of a lease

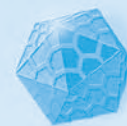
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

Allocation of consideration to components of a contract

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Sale and leaseback transactions

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

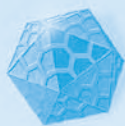
The Group as a buyer-lessor

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

Foreign currencies

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Foreign currencies (Cont'd)

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

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

Borrowing costs

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

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

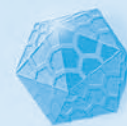
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

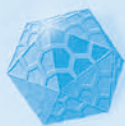
The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with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

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

Taxation

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

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

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

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

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

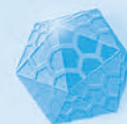
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Property, plant and equipment

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

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

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

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

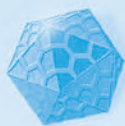
Mining assets include primarily the following:

(a) Stripping costs

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

(b) Asset retirement obligation

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

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

Mining rights

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

Investment properties

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

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

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

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

Intangible assets

Intangible assets acquired separately

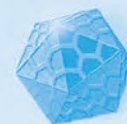
Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated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

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

Intangible assets acquired in a business combination

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Intangible assets (Cont'd)

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

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

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

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

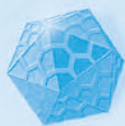
The recoverable amount of property, plant and equipment, investment properties, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

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

Inventories

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

Provisions

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

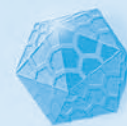
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle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

Contingent liabilities

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

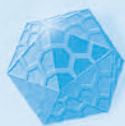
Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

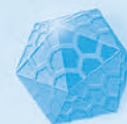
Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

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

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

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

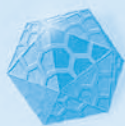
Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

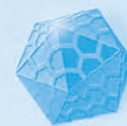
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

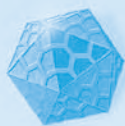
An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Derecognition of financial liabilities

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of financial assets

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

Trade receivables

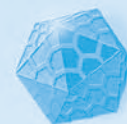
Trade receivables with significant balances are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. The provision rates are based on debtors' aging as groupings of various debtors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

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

Loan receivables

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Estimated impairment of goodwill

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

Assets retirement obligation

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

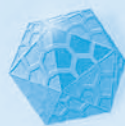
5. REVENUE AND SEGMENT INFORMATION

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

Performance obligation for contracts with customers

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments

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

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

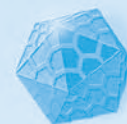
1. The PRC
2. Overseas

(i) Segment revenue and results

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

For the year ended 31 December 2022

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

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

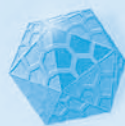
For the year ended 31 December 2021

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of share of results of an associate and a joint venture, fair value change/dividend income on equity investment at FVTPL, certain other income, certain other gains or losses, central administrative costs, legal and professional expenses, directors' emoluments and finance costs on senior notes and bank loans. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(ii) Segment assets and liabilities

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

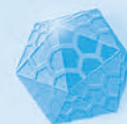
(iii) Other segment information

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical Information

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

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

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

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

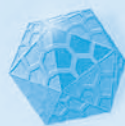
No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2022 and 2021.

6. OTHER INCOME

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

Notes:

- (a) The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by the relevant government authorities as a result of utilising industrial waste as part of the production materials.
- (b) Included in the government grant represented an amount of RMB308,482,000 (2021: nil) subsidy received as a result of demolition work, details of which is set out in Note 38(b).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OTHER GAINS AND LOSSES, NET

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

Notes:

- (a) The amounts during the years ended 31 December 2022 and 2021 mainly relate to the translation of the amounts due to the non-controlling shareholder of a subsidiary and other long-term payables from United States Dollar ("US\$") to Meticaís ("MZN") as well as the exchange differences incurred on intercompany balances between the subsidiaries with different functional currencies.
- (b) During the year ended 31 December 2022, a subsidiary of the Group is approached by the local government in Lantian, the PRC, to return the leasehold land. The subsidiary received the government compensation in return and resulted in a net disposal gain of RMB58,000.

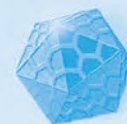
8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

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

Details of impairment assessment are set out in Note 49.

9. INTEREST INCOME

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



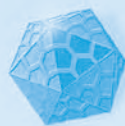
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on:		
— bank loans	180,038	189,458
— other long-term payables	51,338	—
— senior notes	209,780	99,671
— medium-term notes	64,515	90,074
	505,671	379,203
Less: amount capitalised	(110,335)	(135,018)
	395,336	244,185
Unwinding of discount (Note 36)	21,280	16,896
	416,616	261,081

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

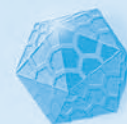
11. PROFIT BEFORE TAX

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. INCOME TAX EXPENSE

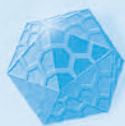
	2022 RMB'000	2021 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	236,688	266,055
Withholding tax	56,000	67,294
	292,688	333,349
(Over) under provision in prior years:		
PRC EIT	(13,981)	11,998
Deferred tax (Note 25):		
Current year	(109,523)	(44,708)
Income tax expense	169,184	300,639

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. INCOME TAX EXPENSE (Cont'd)

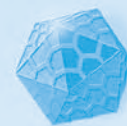
Income tax expense for the year can be reconciled from the profit before tax as follows:

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

Notes:

- Pursuant to the relevant tax rules and regulation in the PRC, certain expenses in research nature are deductible at 75% or 100% (2021: 75%) of such expenses incurred additionally. The related tax benefit amounted to RMB93,960,000 (2021: RMB64,105,000) for the year ended 31 December 2022.
- Certain of the Company's subsidiaries are established in areas where preferential tax rates were granted by the local tax authorities:

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

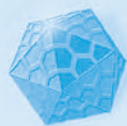
12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

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

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

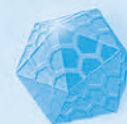
12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

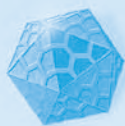
12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

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

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. INCOME TAX EXPENSE (Cont'd)

Notes: (Cont'd)

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

- (i) Concession rate of 15% is granted by the local tax authorities in western region expiring in 2030. According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The above group entities which located in western region and are engaged in the encouraged business are entitled to enjoy the preferential EIT rate of 15% in the respective years.
- (ii) Five-year tax holidays with 0% tax rate starting from year 2018.
- (iii) Concession rate of 20% were granted to the small and micro enterprises. Apart from the concessional tax rate, additional tax benefits were granted to these entities for the first RMB3,000,000 taxable income as below:

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

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

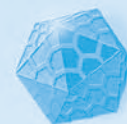
- (iv) Tax incentive of “兩免三減半” was granted to these subsidiaries. The Group's subsidiaries, Moyu Jiancai, Hetian Jiancai, Moyu Yaobai and Hetian Jieneng are entitled to the tax incentive starting from year 2019, 2020, 2021, and 2022 respectively.

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

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

- c. Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and the PRC.
- d. Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 5% under the PRC Enterprise Income Tax Law.

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. DIVIDENDS

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

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

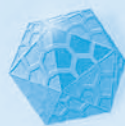
14. EARNINGS PER SHARE

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

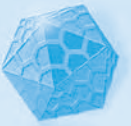
Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2022	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	-	1,500	2,300	-	3,800
Ma Weiping (<i>Chief Executive</i>) (Note)	-	2,017	1,667	-	3,684
Non-executive directors					
Ma Zhaoyang	342	-	-	-	342
Fan Changhong	342	-	-	-	342
Shi Guanglei (resigned on 19 April 2022)	103	-	-	-	103
Wang Jingqian (appointed on 19 April 2022)	240	-	-	-	240
Independent non-executive directors					
Lee Kong Wai Conway	342	-	-	-	342
Zhu Dong	342	-	-	-	342
Tam King Ching Kenny	342	-	-	-	342
	2,053	3,517	3,967	-	9,537

2021	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	-	1,500	2,300	-	3,800
Ma Weiping (<i>Chief Executive</i>)	-	2,018	1,667	13	3,698
Non-executive directors					
Ma Zhaoyang	331	-	-	-	331
Liu Yan (resigned on 23 July 2021)	185	-	-	-	185
Fan Changhong	331	-	-	-	331
Shi Guanglei (appointed on 23 July 2021)	146	-	-	-	146
Independent non-executive directors					
Lee Kong Wai Conway	331	-	-	-	331
Zhu Dong	331	-	-	-	331
Tam King Ching Kenny	331	-	-	-	331
	1,986	3,518	3,967	13	9,484

Note:

Ma Weiping has resigned as the executive director and chief executive officer of the Company and the Group with effect from 2 February 2023.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Cont'd)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the year, no emolument was paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2021: nil).

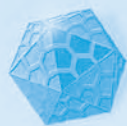
Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: nil).

On 2 February 2023, the Group had appointed the following personnel:

- Cao Jianshun was appointed as an executive director and chief executive officer of the Group;
- Chu Yufeng was appointed as an executive director of the Group;
- Wang Fayin was appointed as an executive director of the Group.

On 28 February 2023, Feng Tao was appointed as an independent non-executive director of the Group.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. FIVE HIGHEST PAID EMPLOYEES

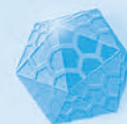
The five highest paid employees of the Group during the year include two (2021: two) directors of whose remuneration are set out in Note 15 above. The remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	4,773	3,843
Performance related bonus	918	1,224
Retirement benefits	96	92
	5,787	5,159

The above employees' emoluments were within the following bands:

	Number of employees	
	2022	2021
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	3	2

During the year, no emolument was paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2021: nil).

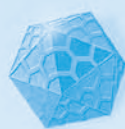


Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	4,256,392	339,718	582,789	7,023,497	1,554,256	4,063,951	17,820,603
Exchange realignment	51,414	4,421	4,398	92,004	17	114,101	266,355
Additions	42,806	55,088	23,452	312,902	3,563	3,044,473	3,482,284
Acquisition of a subsidiary (Notes 42 & 43)	130,141	1,023	2,812	63,563	–	76,033	273,572
Transfers	2,632,028	53,023	71,942	2,952,473	103,558	(5,813,024)	–
Disposals/written off	(232,344)	(10,337)	(7,919)	(180,274)	(19,349)	–	(450,223)
At 31 December 2021	6,880,437	442,936	677,474	10,264,165	1,642,045	1,485,534	21,392,591
Exchange realignment	74,967	5,325	5,150	116,560	23	38,905	240,930
Additions	281,651	113,415	27,820	94,851	30,651	3,020,825	3,569,213
Acquisitions of subsidiaries (Note 42)	739,659	78,948	5,607	806,576	305	206,976	1,838,071
Transfers	(24,183)	74,995	29,248	65,869	81,705	(248,818)	(21,184)
Disposals/written off	(80,834)	(65,171)	(62,381)	(119,216)	(147,394)	–	(474,996)
At 31 December 2022	7,871,697	650,448	682,918	11,228,805	1,607,335	4,503,422	26,544,625
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	1,618,783	102,921	287,682	4,135,204	514,903	–	6,659,493
Depreciation charge	325,441	73,938	23,162	536,340	67,679	–	1,026,560
Impairment loss in profit or loss	–	–	–	–	96,346	–	96,346
Eliminated on disposals/written off	(116,158)	(7,906)	(5,035)	(145,242)	(3,234)	–	(277,575)
Exchange realignment	–	175	143	2,470	–	–	2,788
At 31 December 2021	1,828,066	169,128	305,952	4,528,772	675,694	–	7,507,612
Depreciation charge	355,078	104,530	48,497	665,543	52,035	–	1,225,683
Eliminated on disposals/written off	(29,039)	(59,776)	(43,791)	(111,243)	(147,268)	–	(391,117)
Exchange realignment	1,771	623	454	4,242	2	–	7,092
At 31 December 2022	2,155,876	214,505	311,112	5,087,314	580,463	–	8,349,270
CARRYING VALUES							
At 31 December 2022	5,715,821	435,943	371,806	6,141,491	1,026,872	4,503,422	18,195,355
At 31 December 2021	5,052,371	273,808	371,522	5,735,393	966,351	1,485,534	13,884,979



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Details of property, plant and equipment pledged are set out in Note 48.

The annual rates of depreciation for above items of property, plant and equipment, other than construction in progress and mining assets, are as follows:

Category of property, plant and equipment	Useful life
Buildings	20 to 50 years
Motor vehicles	4 to 8 years
Electronic and other equipment	3 to 5 years
Machinery	10 to 12 years

Mining assets are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.

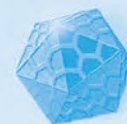
18. RIGHT-OF-USE ASSETS

	Leasehold land	
	RMB'000	
As at 31 December 2022		
Carrying amount	827,334	
As at 31 December 2021		
Carrying amount	823,707	
	2022	2021
	RMB'000	RMB'000
Depreciation charge	18,266	27,115
Total cash outflow for leases	56,119	232,213
Additions to right-of-use assets (Note)	56,119	268,547

Note: Amount includes right-of-use assets from new leases entered and business combination.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB51,645,000 (2021: RMB6,289,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 48.

Right-of-use assets are depreciated on a straight-line basis over the shorter of 50 years and the lease term.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

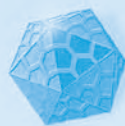
19. MINING RIGHTS

	RMB'000
COST	
At 1 January 2021	678,523
Addition	442,328
Acquisition of a subsidiary (Note 43)	183,131
Written off	(34,128)
At 31 December 2021	1,269,854
Addition	44,105
Acquisition of a subsidiary (Note 42)	430,450
Exchange Adjustments	(21,835)
At 31 December 2022	1,722,574
AMORTISATION AND IMPAIRMENT	
At 1 January 2021	138,620
Charge for the year	27,464
Impairment loss (Note)	20,803
Written off	(34,128)
At 31 December 2021	152,759
Charge for the year	41,784
At 31 December 2022	194,543
CARRYING AMOUNT	
At 31 December 2022	1,528,031
At 31 December 2021	1,117,095

Note: During the year ended 31 December 2021, pursuant to a government notice from Department of Emergency Management of Shaanxi Province, in order to protect the ecological environment of Qingling mountains, the Group is required to close its mine located in Lantian, Shaanxi, the PRC. Accordingly, an impairment loss of RMB20,803,000 in respect of such mining right was recognised and written off in 2021.

Mining rights are granted from the respective governmental department in the PRC, Mozambique, the Republic of Angola and Ethiopia.

Mining rights are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.



Notes to the Consolidated Financial Statements

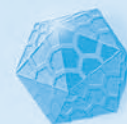
For the year ended 31 December 2022

20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Emission rights RMB'000	Total RMB'000
COST					
At 1 January 2021	193,357	20,610	16,548	1,883	232,398
Addition	–	–	25,148	–	25,148
Acquisition of a subsidiary (Note 42)	–	–	23	2,517	2,540
At 31 December 2021	193,357	20,610	41,719	4,400	260,086
Addition	–	–	6,547	–	6,547
Transfers	–	–	21,184	–	21,184
Acquisition of subsidiaries (Note 42)	287,508	–	291	–	287,799
At 31 December 2022	480,865	20,610	69,741	4,400	575,616
ACCUMULATED AMORTISATION					
At 1 January 2021	–	20,610	3,595	7	24,212
Charge for the year	–	–	3,586	93	3,679
At 31 December 2021	–	20,610	7,181	100	27,891
Charge for the year	–	–	4,076	89	4,165
At 31 December 2022	–	20,610	11,257	189	32,056
CARRYING AMOUNT					
At 31 December 2022	480,865	–	58,484	4,211	543,560
At 31 December 2021	193,357	–	34,538	4,300	232,195

The following useful lives are used in the calculation of amortisation:

Computer software	5 to 20 years
Emission rights	20 years



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

21. IMPAIRMENT TESTING ON GOODWILL

Goodwill is tested for impairment annually or more frequently when circumstances indicate the carrying value may be impaired. Goodwill balances at end of each reporting period were attributable specifically to the ten individual CGU, respectively. The carrying amounts of goodwill are as follows:

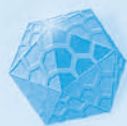
	2022 RMB'000	2021 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — Fuping	7,258	7,258
Cement plant — Yaowangshan	29,613	29,613
Cement plant — National Cement Share Company ("NCSC")	119,902	—
Cement plant — Kangding Paomashan Cement Co., Ltd.* ("Paomashan") 康定跑馬山水泥有限責任公司	70,839	—
Commercial mixed station — Shaanxi Fengsheng	6,207	6,207
Concrete plant — Shaanxi Hengji Concrete Co., Ltd.* ("Hengji Concrete") 陝西恒基混凝土有限公司	50,594	—
Concrete plant — Juxin Building	46,173	—
	480,865	193,357

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The following table sets out the key assumptions for the value in use calculation of the cash-generating units that have significant goodwill with indefinite useful lives.

	China	Ethiopia
Pre-tax discount rate		
31 December 2022	15%	18%
31 December 2021	15%	N/A
Terminal growth rate		
31 December 2022	2.6%	5.7%
31 December 2021	2.6%	N/A

The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. According to the result of the analysis, the management did not identify an impairment for the above CGUs to which the goodwill are allocated during the years ended 31 December 2022 and 2021. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the above CGUs to exceed the recoverable amounts of respective CGUs.

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. INTEREST IN A JOINT VENTURE

In 2021, the Group established a subsidiary, Ankang Baicheng Real Estate Co., Ltd.* ("Baicheng Real Estate") 安康市柏城置業有限公司 with registered share capital of RMB20,000,000. Subsequently, the Group entered into a sale agreement to dispose of its 50% equity interest in Baicheng Real Estate with an independent third party with a cash consideration of RMB10,000,000. After the disposal, Baicheng Real Estate becomes the joint venture of the Group.

	2022 RMB'000	2021 RMB'000
Unlisted equity investment, at cost	10,000	10,000
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(6,597)	(190)
	3,403	9,810

Details of the Group's joint venture at the end of reporting period are as follows:

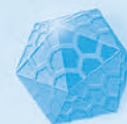
Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2022	2021	2022	2021	
Baicheng Real Estate	The PRC	Shaanxi	50%	50%	50%	50%	Real estate development and operation

Summarised financial information of Baicheng Real Estate

Summarised financial information in respect of Baicheng Real Estate is set out below. The summarised financial information below represents amounts shown in Baicheng Real Estate's financial statements prepared in accordance with IFRSs.

	2022 RMB'000	2021 RMB'000
Current assets	712,340	561,363
Non-current assets	452	398
Current liabilities	705,985	542,141
Revenue	–	–
Loss and total comprehensive expense for the year	(12,813)	(379)

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. INTEREST IN A JOINT VENTURE (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Baicheng Real Estate recognised in the consolidated financial statements:

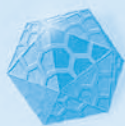
	2022 RMB'000	2021 RMB'000
Net assets of Baicheng Real Estate	6,807	19,620
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	3,403	9,810

23. EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed securities:		
— Equity securities listed in Hong Kong Stock Exchange	92,593	162,181

24. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loans collateralised by property, plant and equipment (Note a)	526,776	605,590
Entrusted loan (Note b)	—	100,000
Loans collateralised by receivables (Note b)	427,800	449,800
Small loans (Note c)	24,739	49,290
	979,315	1,204,680
Less: Allowance for credit losses	(252,814)	(199,776)
	726,501	1,004,904
Analysed as:		
Current	324,654	1,004,581
Non-current	401,847	323
	726,501	1,004,904



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

24. LOAN RECEIVABLES (Cont'd)

Notes:

- (a) As at 31 December 2022 and 2021, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from one to four years under which:
- (i) The third parties transferred the ownership titles of their certain assets to the Group and leased back those assets;
 - (ii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and
 - (iii) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

- (b) The entrusted loan and loans collateralised by receivables are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.
- (c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

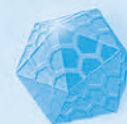
The contractual maturity dates of the Group's fixed-rate loan receivables are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	324,654	1,004,581
In more than one year but not more than two years	401,847	323
	726,501	1,004,904

The ranges of effective rates on the Group's loan receivables was 8% to 15% (2021: 10% to 15%) per annum as at 31 December 2022.

All of the Group's loan receivables are denominated in RMB.

During the year ended 31 December 2022, the Group had agreed to extend the loan maturity date with certain borrowers and the corresponding borrowings had been reclassified and presented as non-current. As at 31 December 2022, carrying amount of loan receivables of RMB629,660,000 (net of allowance of RMB247,986,000) (2021: RMB872,012,000, net of allowance of RMB196,341,000) were considered past due despite the extension of repayment due date. Details of impairment assessment are set out in Note 49.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. DEFERRED TAX

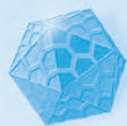
For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	190,639	92,463
Deferred tax liabilities	(459,456)	(83,783)
	(268,817)	8,680

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Impairment, allowance for doubtful debts and accruals RMB'000	Other long-term payables and deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	44,472	7,613	9	(36,937)	(51,185)	(36,028)
Credited (charged) to profit or loss	26,437	(95,545)	92,712	3,110	17,994	44,708
At 31 December 2021	70,909	(87,932)	92,721	(33,827)	(33,191)	8,680
Credited to profit or loss	3,415	69,856	32,480	2,772	1,000	109,523
Acquisition of a subsidiary	–	–	–	(407,901)	–	(407,901)
Exchange adjustments	–	–	–	20,881	–	20,881
At 31 December 2022	74,324	(18,076)	125,201	(418,075)	(32,191)	(268,817)

At the end of the reporting period, the Group had unused tax losses of RMB664,764,000 (2021: RMB928,292,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB500,804,000 (2021: RMB370,884,000) of such losses.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. DEFERRED TAX (Cont'd)

No deferred tax have been recognised in respect of the tax losses of RMB163,960,000 (2021: RMB557,408,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

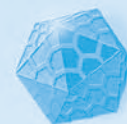
	2022 RMB'000	2021 RMB'000
2025	–	7,646
2026	40,676	63,085
2027	123,284	–
2031	–	486,677
	163,960	557,408

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2022, the Group recognised deferred taxation in respect of withholding tax of RMB32,191,000 (2021: RMB33,191,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2022, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB4,926,414,000 (2021: RMB5,483,808,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials and consumables	625,301	571,326
Work in progress	534,894	316,261
Finished goods	328,663	223,582
	1,488,858	1,111,169



Notes to the Consolidated Financial Statements

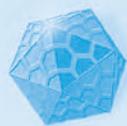
For the year ended 31 December 2022

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Trade receivables	1,254,034	1,155,025
Trade receivables backed by bills	463,468	489,119
	1,717,502	1,644,144
Less: Allowance for credit losses	(179,659)	(162,652)
	1,537,843	1,481,492
Other receivables (Note)	738,405	367,083
Less: Allowance for credit losses	(846)	(3,724)
	737,559	363,359
VAT recoverable	440,077	433,677
VAT refund receivable	22,205	37,401
Prepayments to suppliers	271,483	184,173
	3,009,167	2,500,102
Less:		
Non-current portion of other deposits (included in "Other receivables" above)	(18,472)	(2,884)
	2,990,695	2,497,218

Details of trade receivables pledged are set out in Note 48.

Note: Included in other receivables represented balances of approximately RMB337,261,000 (2021: RMB38,891,000) due from non-controlling interests of subsidiaries.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB1,256,274,000.

All bills received by the Group are due within 1 year from the issuance date of the bills.

The following is an aged analysis of trade receivables, excluding bills held by the Group, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

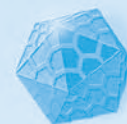
	2022 RMB'000	2021 RMB'000
0 to 90 days	552,685	468,259
91 to 180 days	230,693	174,718
181 to 360 days	173,541	247,991
361 to 720 days	180,156	204,480
Over 720 days	116,959	59,577
	1,254,034	1,155,025

As at 31 December 2022, total bills received amounting to RMB243,240,000 (2021: RMB310,030,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

The Group allows a credit period of 90 to 180 days to its certain trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB535,088,000 (2021: RMB552,828,000) which are past due as at the reporting date. Out of the past due balances, RMB311,745,000 (2021: RMB382,414,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 49.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2022 and 2021 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2022 RMB'000	2021 RMB'000
Carrying amount of transferred assets	243,240	310,030
Carrying amount of associated liabilities	243,240	310,030
Net position	–	–

29. AMOUNT DUE FROM A JOINT VENTURE

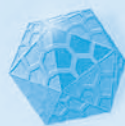
Amount represents advance made to the joint venture to finance for its real estate project. The advance is unsecured and bears interest rate of 7% per annum. The Group did not specify the repayment date for the advance but is expecting the joint venture to repay upon its completion and sold out of the real estate unit, which is expected to be more than 12 months from the date of statement of financial position.

30. INVESTMENT IN ENTRUSTED PRODUCT

Balance as of 31 December 2021 represents an investment in entrusted product named “國民信託穩鑫1號” which is classified as financial assets at FVTPL.

The scope of investment covers the purchase or reverse repo of central bank bills, treasury bonds, financial bonds, short-term financing bonds, medium-term bills, corporate bonds and other types of standardised financial products listed and traded in the inter-bank market etc.. The return of the entrusted product is based on the performance of the entrusted product adjusted by related custodian fee.

During the year ended 31 December 2022, the entrusted product was mature and fully redeemed.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. CASH AND CASH EQUIVALENTS/PLEDGED/RESTRICTED BANK DEPOSITS

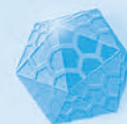
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents		
— denominated in RMB	471,626	854,235
— denominated in US\$	820,189	2,379,453
— denominated in other currencies	132,460	274,027
	1,424,275	3,507,715
Pledged/restricted bank deposits		
— denominated in RMB	621,627	632,348

Cash and cash equivalent include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.05% to 3.20% (2021: 0.30% to 3.20%) per annum.

Restricted/pledged bank deposits carry fixed interest at market rates range from 0.05% to 3.20% (2021: 0.30% to 3.20%) per annum. Restricted/pledged bank deposits represent bank deposits of RMB60,319,000, RMB561,308,000 and nil (2021: RMB153,487,000, RMB408,861,000 and RMB70,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans (Note 48), respectively. The Group used the trade facilities in projects bidding process which were required by contractors. The maturity of the balances were within one year and is classified as current assets.

32. BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured bank loans	4,614,450	4,017,192
Carrying amount repayable as follows:		
— within one year	3,156,533	2,725,704
— more than one year but not more than two years	220,100	104,800
— more than two years but not more than five years	639,093	515,400
— within a period of more than five years	598,724	671,288
	4,614,450	4,017,192
Less: Amount due for settlement within one year and shown under current liabilities	(3,156,533)	(2,725,704)
Amounts shown under non-current liabilities	1,457,917	1,291,488



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. BORROWINGS (Cont'd)

The analysis of the terms of the bank loans were as follows:

	2022 RMB'000	2021 RMB'000
Fixed rate borrowings:		
— repayable within one year	3,082,733	2,429,104
— repayable more than one year but not more than two years	150,300	76,000
— repayable more than two years but not more than five years	48,693	141,000
— repayable more than five years	334,838	196,088
Variable rate borrowings		
— repayable within one year	73,800	296,600
— repayable more than one year but not more than two years	69,800	28,800
— repayable more than two years but not more than five years	590,400	374,400
— repayable within a period of more than five years	263,886	475,200
	4,614,450	4,017,192

The ranges of effective interest rates on the Group's bank loans are as follows:

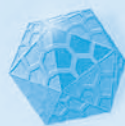
	2022	2021
Effective interest rate per annum:		
Fixed rate borrowings	0.75% to 8.00%	0.75% to 8.00%
Variable rate borrowings	3.85% to 5.35%	4.65% to 6.48%

In respect of a bank loan with carrying amount of RMB414,486,000 as at 31 December 2022 (2021: RMB430,000,000) raised by 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Shaanxi Yaobai") and 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli"), subsidiaries of the Company, these subsidiaries are required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

Shaanxi Yaobai

- the ratio of debts to total assets shall not be more than 0.7:1;
- the ratio of contingent debts to equity shall not be more than 0.5:1; and
- the operating cashflow shall not be negative for two consecutive years.

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. BORROWINGS (Cont'd)

Baihong Ouli

- the ratio of debts to total assets shall not be more than 0.75:1;
- no addition of contingent liabilities without the permission from the respective bank.

The above entities have complied with these covenants throughout the reporting period.

Included in borrowing represents carrying amount of RMB1,229,400,000 (2021: RMB1,289,200,000) jointly guaranteed by either Mr. Zhang Jimin, the executive director or Mr. Zhang Jimin and his wife.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 48.

33. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of US\$600,000,000 due in 2026 (the "Senior Notes") at 100% of the face value. The effective interest rate was approximately 5.18% per annum after adjusting for transaction costs. The Senior Notes were listed on the SEHK and guaranteed by certain subsidiaries of the Company.

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

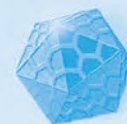
At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options were regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period was insignificant.

Movement of carrying amount of Senior Notes is as below:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	3,876,911	–
Proceeds from issuance of Senior Notes	–	3,834,221
Interest expenses	209,780	99,671
Interest paid	(194,322)	–
Exchange adjustment	311,789	(56,981)
Carrying amount at 31 December	4,204,158	3,876,911



Notes to the Consolidated Financial Statements

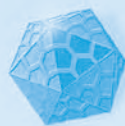
For the year ended 31 December 2022

34. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	2,067,923	1,805,500
Bill payables	11,300	178,000
	2,079,223	1,983,500
Payables for constructions and equipment purchase	1,651,309	911,976
Other tax liabilities	171,473	177,134
Payroll and welfare payable	84,594	106,249
Interest payables	2,076	4,215
Consideration payable (Notes 42 and 43)	55,500	60,000
Other payables	442,389	178,114
Deposits payables	122,990	118,618
Other long-term payable — current portion (Note 39)	267,848	249,179
	4,877,402	3,788,985

The following is an aged analysis of trade payables (including those bills transferred by the Group for settlement which are due within six months to one year based on the issuance date) presented based on the date of delivering of goods at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
0 to 90 days	1,238,344	1,174,941
91 to 180 days	341,497	279,110
181 to 360 days	228,292	236,641
361 to 720 days	145,730	95,163
Over 720 days	114,060	19,645
	2,067,923	1,805,500



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
At 31 December	453,687	257,925

As at 1 January 2021, contract liabilities amounted to RMB260,594,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts. Approximately RMB221,326,000 of contract liabilities brought forward from prior year had been recognised during the year ended 31 December 2022 (2021: RMB243,525,000).

36. ASSET RETIREMENT OBLIGATION

	2022 RMB'000	2021 RMB'000
At 1 January	337,043	347,413
Addition	19,290	1,566
Unwinding of discount	21,280	16,896
Utilisation of provision	(41,920)	(28,832)
At 31 December	335,693	337,043

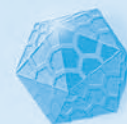
During the year ended 31 December 2022, the Group recognised assets retirement obligation of RMB19,290,000 (2021: RMB1,566,000) relating to the acquired mining rights as disclosed in Note 19.

37. MEDIUM-TERM NOTES

On 30 April 2019, Shaanxi Yaobai registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000.

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000.

On 2 September 2020, the Group issued the second tranche of the medium-term note with principal amount of RMB700,000,000 ("Second Tranche of the Medium-term Note") which carry interest of 7% per annum with maturity date of three years from the date of 4 September 2020. The Second Tranche of the Medium-term Note carries effective interest rate of approximately 7.11% per annum after adjusted for transaction costs of RMB6,300,000.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. MEDIUM-TERM NOTES (Cont'd)

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	1,236,416	1,232,842
Interest expenses	64,515	90,074
Interest paid	(86,500)	(86,500)
Repayment	(500,000)	–
Carrying amount at 31 December	714,431	1,236,416
Analysed as:		
Current liabilities	714,431	524,132
Non-current liabilities	–	712,284

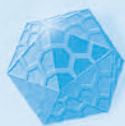
As at 31 December 2022, the Second Tranche of Medium-term Note is due to be repaid within one year and is reclassified as current liabilities.

38. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants relating to:		
— acquisition of property, plant and equipment (Note a)	31,781	36,818
— demolition of property, plant and equipment (Note b)	–	311,948
	31,781	348,766
Less: amounts expected to be recognised within one year	(3,527)	(320,995)
	28,254	27,771

Notes:

- The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB8,837,000 (2021: RMB14,365,000) was released to profit or loss and recorded in other income in the current reporting period.
- During the year ended 31 December 2021, owing to the need of better urban reservation, one of the Group's subsidiaries had been approached by the government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,000,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. During the year ended 31 December 2022, the demolition work was completed and the Group recognised a gain on demolition of approximately RMB308,482,000.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. OTHER LONG-TERM PAYABLES

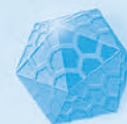
	2022 RMB'000	2021 RMB'000
Payable related to Dugongo (defined below) (Note a)	842,681	736,777
Payable for mining rights (Note b)	312,195	305,228
	1,154,876	1,042,005
Less: current portion (Note 34)	(267,848)	(249,179)
	887,028	792,826

Notes:

- (a) In 2020, the Group recorded RMB1,138,506,000 payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party with repayment periods from 2023 to 2026. The payable is non-secured and bears interest of 4.64% per annum.
- (b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.65% per annum.

40. SHARE CAPITAL

	Share capital		
	Number of shares '000	GBP'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2021, 31 December 2021 and 2022	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 2022	5,438,883	10,876	141,837



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

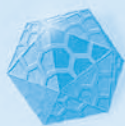
41. RESERVES

Equity reserve

Equity reserve comprises:

- (a) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.
- (b) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.
- (c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of 安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co., Ltd.* ("Jianghua Yaobai") to acquire the remaining 20% equity interests in Jianghua Yaobai from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.
- (d) On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.
- (e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of 陝西建達信工程有限公司 Jiandaxin Engineering Inspection Company* ("Jiandaxin") to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.
- (f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of Xinyida Hengzhong to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was credited directly to equity reserve.

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. RESERVES (Cont'd)

Equity reserve (Cont'd)

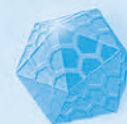
Equity reserve comprises: (Cont'd)

- (g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of Baihong Ouli to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was debited directly to equity reserve.
- (h) During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. These assets, with original carrying amount of approximately US\$201,804,000 (equivalent to RMB1,428,771,000), was revalued at approximately of US\$214,758,000 (equivalent to RMB1,520,381,000) at the time of injection. Dugongo was liable to take up the respective payable of approximately US\$201,804,000 (equivalent to RMB1,428,771,000) as a result of such injection. The difference of RMB89,477,000 (after deducting the capital contribution of RMB2,133,000 by the non-controlling shareholder) was deemed as the contribution from the non-controlling shareholder. Amount of RMB53,686,000 was directly credited to the equity reserve which represents the portion attributed to the Group as a result of such injection.

Statutory reserve

In accordance with relevant rules and regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit after tax determined under the accounting principles and financial regulations applicable in the PRC to the statutory reserve until the balances reach 50% of their respective registered capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

In addition, pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES

For the year ended 31 December 2022

Acquisitions of subsidiaries

(a) Acquisition of Paomashan

On 31 July 2020, the Group signed a sales and purchase agreement ("SPA") with an independent third party ("Seller") to acquire 55% equity interests in Paomashan at a cash consideration of RMB420,000,000. According to the SPA, it was agreed that the Seller would inherit approximately RMB392,131,000 net liabilities of Paomashan.

On 31 March 2022, the Group entered into supplementary sales and purchase agreement with the Seller and it was agreed that the consideration be changed to RMB27,869,000 and the clause on the inheritance of net liabilities by the Seller was canceled.

On 8 April 2022, the acquisition was completed and the Group obtains control over production and operation of Paomashan. Paomashan is principally engaged in cement production and sales, which its products are widely used in different industries.

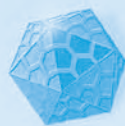
The acquisition has been accounted for as acquisition of subsidiary using the acquisition method.

Fair value of assets and liabilities recognised at the date of acquisition

	RMB'000
Assets	
Trade and other receivables	103,056
Inventories	42,987
Property, plant and equipment	586,431
Other intangible assets	233
Bank balances and cash	86
Liabilities	
Trade and other payables	(524,118)
Bank borrowings	(47,800)
Amount due to an immediate holding company	(239,000)
Net liabilities	(78,125)

Acquisition-related costs are immaterial and are recognised as administrative expenses when they are incurred.

Trade and other receivables acquired with gross contractual amounts of RMB103,056,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2022 (Cont'd)

Acquisitions of subsidiaries (Cont'd)

(a) Acquisition of Paomashan (Cont'd)

Non-controlling interests

The non-controlling interests (45%) in Paomashan recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Paomashan and amounted to RMB35,155,000.

Goodwill arising on acquisition

	RMB'000
Consideration paid in cash	27,869
Plus: non-controlling interests (45% in Paomashan)	(35,155)
Less: recognised amount of net liabilities acquired	(78,125)
	70,839

Goodwill arose on the acquisition of Paomashan because of its unique geographical location in Sichuan Ganzi prefecture which enable it to capture the market share in the region.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

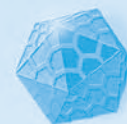
	RMB'000
Consideration paid in cash	27,869
Cash and cash equivalent balances acquired	(86)
	27,783

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is loss of RMB22,230,000 attributable to the additional business generated by Paomashan. Revenue for the year includes RMB14,493,000 generated from Paomashan.

Had the acquisition of Paomashan been completed on 1 January 2022, revenue for the year of the Group would have been RMB8,489,135,000 and the profit for the year would have been RMB1,328,715,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Paomashan been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2022 (Cont'd)

Acquisitions of subsidiaries (Cont'd)

(b) Acquisition of NCSC

On 3 March 2021 and 16 July 2021, the Group had entered into sale and purchase agreements with East African Mining Corporation, Schulze Global Ethiopia Growth and Transformation Fund I.L.P. and SGI Africa Cement Partners, L.P. (collectively "the Sellers") to acquire from the Sellers an aggregate of 23.99% of its shareholding in NCSC at a total consideration of US\$40,380,000 (equivalent to RMB278,918,000).

On 7 September 2021, the Group entered into a share subscription agreement with the then-existing shareholders of NCSC to subscribe for further shares in NCSC in tranches, leading to the Group to ultimately holding a 61.99% shareholding interest in NCSC, at a total subscription price of US\$170,000,000 (equivalent to approximately RMB1,208,871,000).

The acquisition was completed in 2022 with the last share subscription price paid on 14 November 2022, resulting in the Group obtaining the control over NCSC. NCSC is principally engaged in cement production and sales in Ethiopia, which its products are widely used in different industries.

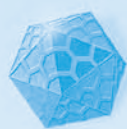
The acquisition has been accounted for as acquisition of subsidiary using the acquisition method.

Consideration transferred

	RMB'000
Cash	1,323,532
Deposits paid	164,257
	1,487,789

Fair value of assets and liabilities recognised at the date of acquisition on a provisional basis

	RMB'000
Assets	
Trade and other receivables	328,568
Inventories	79,158
Property, plant and equipment	1,177,022
Deposits paid for acquisition of property, plant and equipment	438,431
Mining rights	430,450
Other intangible assets	58
Bank balances and cash	814,087
Liabilities	
Trade and other payables	(232,868)
Contract liabilities	(147,229)
Dividend payable	(70,783)
Long term borrowings	(202,368)
Deferred tax liabilities	(407,901)
Net assets	2,206,625



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2022 (Cont'd)

Acquisitions of subsidiaries (Cont'd)

(b) Acquisition of NCSC (Cont'd)

Non-controlling interests

The non-controlling interest (38.01%) in NCSC recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of NCSC and amounted to RMB838,738,000.

Goodwill arising on acquisition on a provisional basis

	RMB'000
Consideration paid in cash	1,487,789
Plus: non-controlling interests	838,738
Less: recognised amount of net assets acquired	2,206,625
	119,902

Goodwill arose on the acquisition of NCSC because NCSC is one of the leading cement entities in Ethiopia which the Group can make use of its size advantage to capture market share with comparative lower production cost.

Goodwill arising on acquisition is on a provisional basis as the Group's purchase price allocation is yet to complete at the report date. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

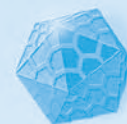
	RMB'000
Consideration paid in cash	1,323,532
Cash and cash equivalents acquired	(814,087)
	509,445

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is profit of RMB29,114,000 attributable to the additional business generated by NCSC. Revenue for the year includes RMB135,746,000 generated from NCSC.

Had the acquisition of NCSC been completed on 1 January 2022, revenue for the year of the Group would have been RMB8,964,549,000 and the profit for the year would have been RMB1,414,854,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had NCSC been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2022 (Cont'd)

Acquisition of businesses

During the year ended 31 December 2022, the Group entered into sales and purchase agreements to acquire all the concrete production lines and the related workforce from Hengji Concrete and Juxin Building. Hengji Concrete and Juxin Building are principally engaged in the manufacture and sales of concrete and they were acquired with the objective of obtaining concrete production qualification. The management assessed and determined the acquisition as business combination according to IFRS 3 Business Combinations. Details of the acquisition are summarised as below:

(a) Hengji Concrete

Consideration transferred

	RMB'000
Cash	80,000
Consideration payable due within one year included in other payables at 31 December 2022	28,000
	108,000

Fair value of assets acquired at the date of acquisition

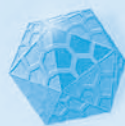
	RMB'000
Property, plant and equipment	53,606
Inventory	3,800
	57,406

Goodwill arising on acquisition

	RMB'000
Consideration transferred	108,000
Less: recognised amount of net assets acquired	57,406
	50,594

Net cash outflow arising on acquisition of assets from Hengji Concrete

	RMB'000
Consideration paid in cash	80,000



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2022 (Cont'd)

Acquisition of businesses (Cont'd)

(b) Juxin Building

Consideration transferred

	RMB'000
Cash	45,000
Consideration payable due within one year included in other payables at 31 December 2022	23,000
Consideration paid in cash	68,000

Fair value of assets acquired at the date of acquisition

	RMB'000
Property, plant and equipment	21,012
Inventory	815
	21,827

Goodwill arising on acquisition

	RMB'000
Consideration transferred	68,000
Less: recognised amount of net assets acquired	21,827
	46,173

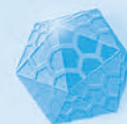
Net cash outflow arising on acquisition of assets from Juxin Building

	RMB'000
Consideration paid in cash	45,000

None of the goodwill arising on the acquisition Hengji Concrete and Juxin Building is expected to be deductible for tax purposes.

Acquisition-related costs for Hengji Concrete and Juxin Building are immaterial and are recognised as administrative expenses when they incurred.

The management considered the impact on acquisition of results of Hengji Concrete and Juxin Building were insignificant during the current year and accordingly no such information is presented.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2021

Acquisition of a subsidiary

Acquisition of Shangnan Hucaoping Mining Development Co., Ltd.* ("Hucaoping") 商南葫草坪礦業開發有限公司

On 16 June 2021, the Group signed a sales and purchase agreement with an independent third party to acquire 100% equity interests in Hucaoping with a cash consideration of RMB10,000,000. Hucaoping is principally engaged in the mining and sales of vanadium mines which is used vanadium steel, and is widely used in different industries such as vehicles, railways, vessels, etc.

Fair value of assets and liabilities recognised at the date of acquisition

	RMB'000
<i>Assets</i>	
Other receivables and prepayments	8,274
Inventories	10,834
Property, plant and equipment	271,653
Right-of-use assets	3,841
Other intangible assets	2,540
Other current assets	12,262
Bank balances and cash	456
<i>Liabilities</i>	
Other payables	(64,860)
Borrowings	(235,000)
Net assets	10,000

Other receivables acquired with gross contractual amounts of RMB8,274,000 represented its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

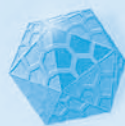
Acquisition-related costs were immaterial and were recognised as administrative expenses when they incurred.

No goodwill arose from the acquisition of Hucaoping.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	10,000
Cash and cash equivalents acquired	(456)
	9,544

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. ACQUISITIONS OF SUBSIDIARIES/BUSINESSES (Cont'd)

For the year ended 31 December 2021 (Cont'd)

Acquisition of a subsidiary (Cont'd)

Acquisition of Shangnan hucaoping Mining Development Co., Ltd.* ("Hucaoping") 商南葫草坪礦業開發有限公司 (Cont'd)

Impact of acquisition on the results of the Group

As at the date of acquisition and the reporting period end, Hucaoping has still not yet commenced operations and no material impact on the results was identified had the acquisition been effected at the beginning of 2021.

43. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2021

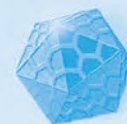
On 8 September 2021, the Group acquired 60% interest in Shaanxi Jinping Mining Co., Ltd.* ("Shaanxi Jinping") 陝西金平礦業有限公司 for a cash consideration of RMB100,000,000. Shaanxi Jinping is principally engaged in the exploitation and sales of mines in Shaanxi Province.

The Group elected to apply optional concentration test in according with IFRS 3 *Business Combination* and concluded the mining rights and it related fixed assets were considered as a single identifiable asset. Subsequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets and goodwill resulting from the effects of deferred tax liabilities) acquired was concentrated in the single identifiable asset concluded that the acquired set of activities and assets was not a business.

Consideration transferred

	RMB'000
Cash consideration	
— paid before year 2021	20,000
— paid in the 2021	20,000
— paid in the 2022	55,500
Consideration payable at 31 December 2022	4,500
	100,000

* The English name is for identification purpose only



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Cont'd)

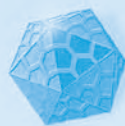
For the year ended 31 December 2021 (Cont'd)

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	RMB'000
<i>Assets</i>	
Other receivables	83
Other current assets	7,271
Bank balances and cash	813
Property, plant and equipment	1,919
Mining rights	183,131
<i>Liabilities</i>	
Trade and other payables	(26,550)
Net assets acquired	166,667
Net assets acquired attributable to:	
— owners of the Company	100,000
— non-controlling interests	66,667

Net cash outflow arising on acquisition of Shaanxi Jinping

	RMB'000
Consideration paid in cash	20,000
Cash and cash equivalents acquired	(813)
	19,187



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

44. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,283,378	1,416,412

45. SHARE-BASED PAYMENTS

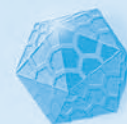
The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares, and will expire 10 years after the date of grant ("Post-IPO Share Option Scheme").

The total number of shares in respect of options may be granted under the Post-IPO Share Option Scheme is not permitted to exceed 10% of the issued share capital of the Company as at 23 August 2010, which aggregated at 411,533,185 shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HK\$1 per grant. Options may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK\$1.04, HK\$0.58, HK\$0.41 and HK\$0.56 at the respective grant date.

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (4 years) succeeding the specific grant date of each individual tranche under a particular issuance, subject to the fulfilment of certain non-market performance condition, for example, the share options of a specific tranche would vest if the growth in profit after tax of the Group during the year ending on the vesting date (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options of the said tranche will not vest.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. SHARE-BASED PAYMENTS (Cont'd)

Fair value of the share options

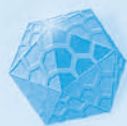
The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate excluding non-market performance condition. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2022 and 2021:

Year ended 31 December 2022

					Number of options ('000)				
					Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2022
Second Issuance	22 March 2013	3 months	22 March 2014 to 21 March 2023	HK\$1.25	10,050	-	-	-	10,050
Third Issuance	24 March 2014	1 years 3 months	24 March 2015 to 23 March 2024	HK\$0.91	21,900	-	-	-	21,900
Forth Issuance	13 April 2015	2 years 3 months	13 April 2016 to 12 April 2025	HK\$1.45	24,700	-	-	-	24,700
					56,650	-	-	-	56,650
Exercisable at the end of the year									56,650
Weighted average exercise price									HK\$1.21



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. SHARE-BASED PAYMENTS (Cont'd)

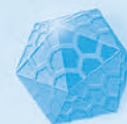
Fair value of the share options (Cont'd)

Year ended 31 December 2021

	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Number of options ('000)				
					Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2021
First Issuance	23 March 2011	Expired	23 March 2012 to 22 March 2021	HK\$3.41	1,100	–	–	1,100	–
Second Issuance	22 March 2013	1 years 3 months	22 March 2014 to 21 March 2023	HK\$1.25	10,050	–	–	–	10,050
Third Issuance	24 March 2014	2 years 3 months	24 March 2015 to 23 March 2024	HK\$0.91	21,900	–	–	–	21,900
Fourth Issuance	13 April 2015	3 years 3 months	13 April 2016 to 12 April 2025	HK\$1.45	24,700	–	–	–	24,700
					57,750	–	–	1,100	56,650
Exercisable at the end of the year									56,650
Weighted average exercise price									HK\$1.21

No share options were exercised during the years ended 31 December 2022 and 2021.

During the year ended 31 December 2022, no share options were expired or lapsed (2021: 1,100,000).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. RETIREMENT BENEFITS PLANS

The Group participate in the MPF Scheme for its employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The MPF Scheme now requires the Group and its employees in Hong Kong to contribute 5% of the employees' monthly salary to the MPF Scheme subject to a monthly salary cap of HK\$30,000.

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB57,228,000 (2021: RMB54,497,000) represents contributions paid or payable under the retirement benefit scheme.

47. RELATED PARTY DISCLOSURES

The Group has paid or payable to the key management for employee services. The key management includes directors (executive and non-executive) of the Company and senior management of the Group.

Key management compensation

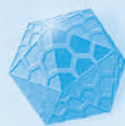
	2022 RMB'000	2021 RMB'000
Salaries and allowances	11,493	10,443
Performance related bonus	4,885	5,190
Retirement benefits	111	138
	16,489	15,771

48. ASSETS PLEDGED FOR SECURITY

The carrying amounts of the assets at the end of each reporting period pledged to secure trade facilities and bank loans are analysed as follows:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment	3,380,392	3,424,848
Trade receivables	75,773	39,570
Right-of-use assets	177,773	85,084
Pledged bank deposits	561,308	478,861
	4,195,246	4,028,363

During the year ended 31 December 2022, the Group pledged its equity interests in three subsidiaries, Guizhou Linshan, Mianxian and Xiushan Yaobai, to the bank to secure a banking facility totalling RMB150,000,000 for a period of one year which has already been drawn down as at 31 December 2022. The pledge will be released upon the repayment of the borrowing to the bank.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (borrowings, medium-term notes and senior notes as detailed in Notes 32, 37 and 33, respectively, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity).

The directors of the Company review the capital structure on a semi-annual basis. In order to maintain or adjust the capital structure, the Group will balance its overall capital structure through adjusting the payment of dividends paid to shareholders, issuance of new shares or issue of new debt or the redemption of existing debt.

b. Categories of financial instruments

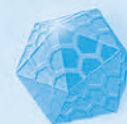
	2022 RMB'000	2021 RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	5,682,632	7,523,882
— Equity investment at FVTPL	92,593	162,181
— Investment in entrusted product	—	81,855
Financial liabilities		
— Amortised cost	15,129,812	13,436,947

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amount due from a joint venture, entrusted product, structure deposits, restricted/pledged bank deposits, bank balances and cash, equity instrument at FVTPL, trade and other payables, other long-term payables, borrowings, senior notes and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risk.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Market risks (Cont'd)

(i) Foreign currency risk

The Group undertakes transactions, mainly the issuance of senior notes, borrowings and new shares, denominated in foreign currencies other than the functional currency of RMB. Hence, exposures to exchange rate fluctuations arise.

The Group does not use derivative financial instruments to hedge its foreign currency risk. However, the Group monitors foreign currency exposure and will consider hedging significant exposure should the need arise. The carrying amounts of Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
The US\$	4,204,158	3,782,232	820,189	2,379,453
Euros ("EUR")	151,719	147,694	1,350	149,319
	4,355,877	3,929,926	821,539	2,528,772
Other foreign currency (including HK\$, MZN, ETB ("Ethiopian Birr"), and Singapore Dollar, etc.)	–	196,088	130,132	124,707

The Group is mainly exposed to the fluctuation in US\$ against RMB.

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2021: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB126,899,000 (2021: RMB63,215,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

(ii) Interest rate risk

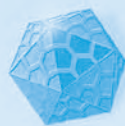
The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, pledged/restricted bank deposits, fixed-rate borrowings, medium-term notes and senior notes (as detailed in Notes 24, 31, 32, 37 and 33, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 32) and bank balances (Note 31).

The Group does not have formal policies on managing interest rate risk. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure for variable-rate borrowings at the end of each reporting period. For variable-rate borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would be decreased/increased by approximately RMB3,742,000 (2021: RMB4,406,000).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Market risks (Cont'd)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The Group currently do not have any policy to manage the risk as the management is of the opinion that the equity price risk is insignificant to the Group and no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to its trade and other receivables, loan receivables, bank balances, and restricted/pledged bank deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for loan receivables. The credit risks associated with loan receivables is mitigated because they are secured by assets collateralised by the third parties as disclosed in Note 24.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has formulated a defined trade credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from customers. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for significant balances and insignificant balances with specific risks, and based on provision matrix for the remaining trade receivables as stated below.

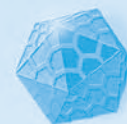
The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of cement sales customers and independent third parties.

The Group measures ECL allowance for most of its trade receivables using a provision matrix by debtors' aging because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2022 and 2021 within lifetime ECL. Debtors with significant outstanding balances with gross carrying amounts of RMB331,617,000 (2021: RMB158,582,000) as at 31 December 2022 were assessed individually.

As at 31 December 2022

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	373,853
1 to 90 days past due	1.8%	142,710
91 to 360 days past due	23.3%	177,431
Over 360 days past due	41.4%	228,423
		922,417



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Trade receivables arising from contracts with customers (Cont'd)

As at 31 December 2021

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	434,629
1 to 90 days past due	1.9%	148,595
91 to 360 days past due	15.7%	229,935
Over 360 days past due	46.0%	183,284
		996,443

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort, such as economic data and forecasts published by governmental bodies and industrial information published by relevant institutions. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

During the year ended 31 December 2022, the Group provided RMB14,738,000 (2021: RMB66,063,000) as an additional impairment allowance for trade receivables based on the provision matrix.

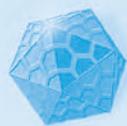
The Group's trade receivables backed by bills represent the bills issued by banks and trust company with high credit ratings and therefore are considered to be low credit risk. The directors of the Company consider that ECL on trade receivables backed by bills was insignificant.

Loan receivables

Credit risk of loan receivables is monitored by the dedicated credit risk department of the Group responsible for the review and managing of credit risk for all corporate loan borrowers. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to define the terms of the loans as well as assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group monitors credit risk of loan receivables regularly by reviewing changes in creditworthiness of the loan borrowers, past collection history, subsequent settlement of each loan borrower, and also relevant collaterals and guarantees as well as forward-looking information, in order to mitigate the risk of significant exposure from bad debts.

Credit risk is often greater when the loan borrowers are concentrated in one single industry or geographical location or have comparable economic characteristics. The loan borrowers of the Group are located in different provinces of the PRC and are from different industries. As the loan borrowers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group's loan receivables.

The Group considers a loan receivable in default and therefore as loss in internal credit rating (credit-impaired) for ECL calculations in all cases when there is evidence indicating the asset is credit-impaired. As part of a qualitative creditworthiness assessment of whether a loan borrower is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the loan borrower as in default and therefore assessed as Loss for ECL calculations or whether other internal credit rating is appropriate.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Cash and cash equivalents and pledged/restricted bank deposits

The credit risks on cash and cash equivalents and pledged/restricted bank deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other receivables

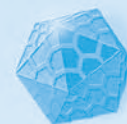
Other receivables that is measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. The management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

Amount due from a joint venture

Amount due from a joint venture was considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. The management makes periodic individual assessment on the recoverability based on quantitative and qualitative information that is reasonable and supportive forward-looking information.

In assessing the impairment under ECL model upon application of IFRS 9, the Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Loan receivables
Low risk	Debtor has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information development internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficult and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

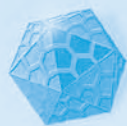
49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The tables detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount		2021 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
— Loan receivables	24	N/A	Low risk	12m ECL	101,669		136,327	
			Doubtful	Lifetime ECL – not credit-impaired	603,000		826,794	
			Loss	Lifetime ECL – credit-impaired	274,646	979,315	241,559	1,204,680
— Trade receivables backed by bills	27	N/A	(note 2)	12m ECL	463,468	463,468	489,119	489,119
— Trade receivables	27	N/A	(note 3)	Lifetime ECL (provision matrix)	921,682		993,433	
			Watch list	Lifetime ECL (significant balances, individually assessed)	331,617		158,582	
			Loss	Lifetime ECL (credit-impaired)	735	1,254,034	3,010	1,155,025
— Other receivables	27	N/A	(note 1)	12m ECL	738,405	738,405	367,083	367,083
— Amount due from a joint venture	29	N/A	N/A	12m ECL	634,827	634,827	534,064	534,064
— Cash and cash equivalents (Bank balances)	31	AA+	N/A	12m ECL	1,420,637	1,420,637	3,503,836	3,503,836
— Pledged/restricted bank deposits	31	AA+	N/A	12m ECL	621,627	621,627	632,348	632,348



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Notes:

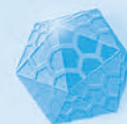
1. Apart from trade receivables, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due RMB'000	Total RMB'000
2022			
Other receivables	–	738,405	738,405
2021			
Other receivables	–	367,083	367,083

2. The Group set different categories for customers settling with bills according to the internal credit rating assessment. The Group does not accept bills from customers with lower credit ratings.
3. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.
4. The Group considered the amount due from a joint venture being low credit risk. ECL is assessed according to internal credit rating assessment.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2021	58,872	3,404	62,276
Changes due to financial instruments recognised as at 1 January 2021:			
— Impairment losses recognised	65,874	–	65,874
— Impairment losses reversed	(1,098)	(394)	(1,492)
— Write-offs	(1,300)	–	(1,300)
New financial assets originated or purchased	37,294	–	37,294
As at 31 December 2021	159,642	3,010	162,652
Changes due to financial instruments recognised as at 1 January 2022:			
— Transfer to credit-impaired	(396)	396	–
— Impairment losses recognised	10,688	–	10,688
— Impairment losses reversed	(56,423)	(1,685)	(58,108)
— Write-offs	–	(986)	(986)
New financial assets originated or purchased	65,413	–	65,413
As at 31 December 2022	178,924	735	179,659



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

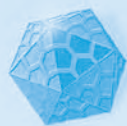
Credit risk and impairment assessment (Cont'd)

	2022		2021	
	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000
Trade debtors with gross carrying amount of RMB297,115,000 recognised at 1 January 2022 (2021: RMB264,057,000)	10,688	–	65,874	–
One trade debtor with a gross carrying amount of RMB396,000 (2021: Nil) defaulted and transferred to credit-impaired	(396)	396	–	–
Settlement in full of trade debtors with a gross carrying amount of RMB857,910,000 (2021: RMB514,936,000)	(56,423)	(1,685)	(1,098)	(394)
New trade receivables with gross carrying amount of RMB956,919,000 (2021: RMB890,968,000)	65,413	–	37,294	–

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	13,333	53,899	44,085	111,317
Changes due to financial instruments recognised as at 1 January 2021				
— Transfer to credit-impaired	(481)	(2,971)	3,452	–
— Transfer to lifetime ECL	(900)	900	–	–
— Impairment losses recognised	1,291	34,377	63,400	99,068
— Impairment losses reversed	(10,935)	(1,396)	(655)	(12,986)
New financial assets originated or purchased	1,128	1,249	–	2,377
As at 31 December 2021	3,436	86,058	110,282	199,776
Changes due to financial instruments recognised as at 1 January 2022				
— Transfer to credit-impaired	(837)	(1,200)	2,037	–
— Transfer to lifetime ECL	(1,323)	1,323	–	–
— Impairment losses recognised	–	15,576	76,402	91,978
— Impairment losses reversed	(1,258)	(19,773)	(22,787)	(43,818)
New financial assets originated or purchased	4,878	–	–	4,878
As at 31 December 2022	4,896	81,984	165,934	252,814

The average loss rate of loan receivables for the year is 25.8% (2021: 16.6 %).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

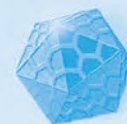
Credit risk and impairment assessment (Cont'd)

Changes in the loss allowance for loan receivables are mainly due to:

	31 December 2022		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit- impaired RMB'000	Credit- impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB101,600,000 (2021:RMB24,400,000)	4,878	–	–
Settlement in full of loan receivables with a gross carrying amount of RMB326,965,000 (2021:RMB670,084,000)	(1,258)	(19,773)	(22,787)
Past due loan receivables with a gross carrying amount of RMB985,446,000 (2021:RMB1,068,353,000)	(2,160)	15,699	78,439
	1,460	(4,074)	55,652

	31 December 2021		
	Increase (decrease) in lifetime ECL		
	Increase (decrease) in 12m ECL RMB'000	Not credit- impaired RMB'000	Credit- impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB24,400,000 (2020:RMB249,770,000)	1,128	1,249	–
Settlement in full of loan receivables with a gross carrying amount of RMB670,084,000 (2020:RMB204,430,000)	(10,935)	(1,396)	(655)
Past due loan receivables with a gross carrying amount of RMB1,068,353,000 (2020:RMB1,119,329,000)	(90)	32,306	66,852
	(9,897)	32,159	66,197

During the year ended 31 December 2022, the Group reversed an impairment loss previously recognised for other receivables of RMB2,146,000 (2021: reversed an impairment loss for other receivables of RMB685,000) and the Group write off other receivables of RMB733,000 (2021:Nil). The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Liquidity risk

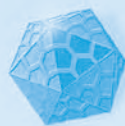
Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

As at 31 December 2022, the Group has net current liabilities position of approximately RMB2,624,887,000. Given that (1) the Group has obtained unused banking facilities of approximately RMB2,357,533,000, which is available for drawdown and utilisation in the course of ordinary business; (2) the Group had been also in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this consolidated financial statements, the Group received banking facility proposals totalling RMB1,838,042,000 from various banks; and further (3) the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future. The directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Trade and other payables	-	4,621,335	-	-	-	4,621,335	4,621,335
Other long-term payables	4.45%~4.65%	-	270,413	498,548	303,222	1,072,183	887,028
Borrowings							
— variable rates	4.39%	119,595	107,897	646,999	313,414	1,187,905	997,886
— fixed rates	5.66%	3,271,362	164,677	154,723	678,756	4,269,518	3,616,564
Dividend payables	-	88,410	-	-	-	88,410	88,410
Senior notes	4.95%	205,200	205,200	4,458,040	-	4,868,440	4,204,158
Medium-term notes (including related interest)	7.00%	736,750	-	-	-	736,750	714,431
		9,042,652	748,187	5,758,310	1,295,392	16,844,541	15,129,812



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Trade and other payables	–	3,505,602	–	–	–	3,505,602	3,505,602
Other long-term payables	4.65~6.42%	–	281,057	330,183	324,121	935,361	792,826
Borrowings							
— variable rates	5.33%	346,719	71,136	480,593	493,428	1,391,876	1,175,000
— fixed rates	4.35%	2,484,058	102,179	189,174	227,646	3,003,057	2,842,192
Dividend payables	–	8,000	–	–	–	8,000	8,000
Senior notes	4.95%	189,359	189,358	4,113,867	–	4,492,584	3,876,911
Medium-term notes (including related interest)	7.25%	567,750	736,750	–	–	1,304,500	1,236,416
		7,101,488	1,380,480	5,113,817	1,045,195	14,640,980	13,436,947

d. Fair values of financial instruments

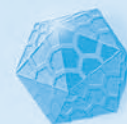
Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group used market-observable data to the extent that is available. For instruments with unobservable inputs under Level 3, the management is of the opinion that these unobservable inputs are not significant to the Group.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

Name	Fair value as at	Fair value hierarchy	Valuation techniques and key input(s)
	31/12/2022 RMB'000	31/12/2021 RMB'000	
Equity investment at FVTPL	92,593	162,181	Level 1 Quoted bid price in an active market
Investment in entrusted product	–	81,855	Level 2 Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. FINANCIAL INSTRUMENTS (Cont'd)

d. Fair values of financial instruments (Cont'd)

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of the financial assets and liabilities recorded at amortised cost are determined in accordance with the generally accepted pricing model based on discounted cash flows.

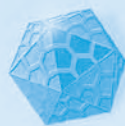
50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Senior notes RMB'000	Medium-term notes RMB'000	Dividend payables RMB'000	Interest payables RMB'000 (Note)	Total RMB'000
At 1 January 2021	2,479,442	–	1,232,842	8,000	610	3,720,894
Financing cash flows	1,363,435	3,834,221	(86,500)	(665,275)	3,605	4,449,486
Non-cash financing activities:						
Interest expenses	189,458	99,671	90,074	–	–	379,203
Foreign exchange difference	(15,143)	(56,981)	–	–	–	(72,124)
Dividends declared	–	–	–	657,275	–	657,275
Dividend declared to a non-controlling shareholder	–	–	–	8,000	–	8,000
At 31 December 2021	4,017,192	3,876,911	1,236,416	8,000	4,215	9,142,734
Financing cash flows	174,698	(194,322)	(586,500)	(482,183)	(2,139)	(1,090,446)
Non-cash financing activities:						
Interest expenses	180,038	209,780	64,515	–	–	454,333
Foreign exchange difference	(7,646)	311,789	–	(3,624)	–	300,519
Acquisition of subsidiaries	250,168	–	–	70,783	–	320,951
Dividend set off with receivables	–	–	–	(4,574)	–	(4,574)
Dividends declared	–	–	–	473,183	–	473,183
Dividend declared to a non-controlling shareholder	–	–	–	26,825	–	26,825
At 31 December 2022	4,614,450	4,204,158	714,431	88,410	2,076	9,623,525

Note:

Interest payables are included in trade and other payables (Note 34).



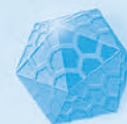
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2022	2021	
Directly held						
West China BVI	Ordinary	British Virgin Islands	HK\$7,800	100%	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	100%	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd.* 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	100%	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd.* 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	100%	100%	Production and sale of cement
Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	100%	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd.* 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	100%	100%	Purchase and sale of raw materials
Xixiang 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	100%	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	100%	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	100%	100%	Production and sale of cement
Jianghua Yaobai 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement

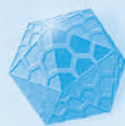


Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2022	2021	
Hancheng Yaobai Yangshanzhuang Cement Co., Ltd.* ("Hancheng Yaobai") 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	80%	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	100%	100%	Production and sale of cement
Shifeng 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Fuping 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	100%	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	100%	100%	Production and sale of cement
Yili Yaobai 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Yaowangshan 銅川蔡王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd.* ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	100%	100%	Finance lease business
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	100%	100%	Transportation
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement



Notes to the Consolidated Financial Statements

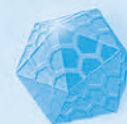
For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2022	2021	
Shaanxi Fuda Mining Engineering Co., Ltd.* 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	100%	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	55%	Production and sale of cement
West International Holding Limited 西部國際控股有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Xinyida Jiancai 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	60%	60%	Sale of cement and related material
Xinyida Hengzhong 陝西新意達恆眾混凝土有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	48%	48%	Sale of cement and related material
Dugongo	Ordinary	Moçambique	MZN100,000,000	60%	60%	Production and sale of cement and related material
Hongxing Glass	Ordinary	Republic of Congo	XAF100,000,000	100%	100%	Production and sale of glass
Hucaoping	Ordinary	Shaanxi, PRC	RMB11,960,766	100%	100%	Exploitation and sales of mines
Shaanxi Jinping	Ordinary	Shaanxi, PRC	RMB5,000,000	60%	60%	Exploitation and sales of mines
NCSC	Ordinary	Ethiopia	ETB833,210,000	62%	–	Production and sale of cement and related material

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

- (a) Except for West China BVI, Faithful Alliance, Dugongo and Hongxing Glass, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.
- (b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.
- (c) None of the subsidiaries had issued any debt securities at the end of the year.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests

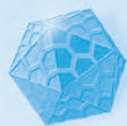
The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
				RMB'000	RMB'000	RMB'000	RMB'000
Hancheng Yaobai	Shaanxi, PRC	20%	20%	7,802	8,897	52,187	52,385
Dugongo	Moçambique	40%	40%	126,533	208,479	337,130	210,597
Xinyida Hengzhong	Shaanxi, PRC	52%	52%	1,195	5,002	62,544	61,349
Shaanxi Fengsheng	Shaanxi, PRC	-	45%	-	3,833	-	43,006
NCSC	Ethiopia	38%	-	(12,071)	-	826,667	-
Individually immaterial subsidiaries with non-controlling interests				(6,045)	5,350	81,870	110,742
Total				117,414	231,561	1,360,398	478,079

Hancheng Yaobai

Summarised financial information of Hancheng Yaobai which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022 RMB'000	2021 RMB'000
Current assets	151,757	123,937
Non-current assets	194,813	239,084
Current liabilities	85,634	101,095
Non-current liabilities	-	-
Equity attributable to owners of the Company	208,749	209,541
Non-controlling interests	52,187	52,385



Notes to the Consolidated Financial Statements

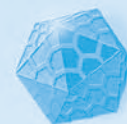
For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Hancheng Yaobai (Cont'd)

	2022 RMB'000	2021 RMB'000
Revenue	284,323	325,988
Expenses	(245,314)	(281,501)
Profit for the year	39,009	44,487
Profit attributable to owners of the Company	31,207	35,590
Profit attributable to non-controlling interests	7,802	8,897
Dividends paid to non-controlling interests of Hancheng Yaobai	8,000	8,000
Net cash inflow from operating activities	54,408	84,789
Net cash outflow from investing activities	(46,856)	(76,023)
Net cash outflow from financing activities	(8,000)	(8,000)
Net cash (outflow) inflow	(448)	766



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

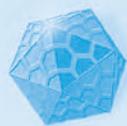
51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo

Summarised financial information of Dugongo which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022 RMB'000	2021 RMB'000
Current assets	409,188	281,639
Non-current assets	3,045,922	2,794,489
Current liabilities	1,576,195	1,619,450
Non-current liabilities	1,036,091	930,189
Equity attributable to owners of the Company	505,694	315,892
Non-controlling interests	337,130	210,597



Notes to the Consolidated Financial Statements

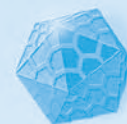
For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Dugongo (Cont'd)

	2022 RMB'000	2021 RMB'000
Revenue	797,955	394,082
(Expenses) Income	(509,574)	42,916
Profit attributable to owners of the Company	173,029	262,199
Profit attributable to non-controlling interests	115,352	174,799
Profit for the year	288,381	436,998
Other comprehensive income attributable to the Company	16,772	50,519
Other comprehensive income attributable to non-controlling interests	11,181	33,680
Other comprehensive income for the year	27,953	84,199
Total comprehensive income attributable to owners of the Company	189,801	312,718
Total comprehensive income attributable to non-controlling interests	126,533	208,479
Total comprehensive income	316,334	521,197
Net cash inflow from operating activities	136,485	114,756
Net cash outflow from investing activities	(56,888)	(71,046)
Net cash (outflow) inflow from financing activities	(48,254)	7,407
Net cash inflow	31,343	51,117



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

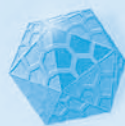
Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

Xinyida Hengzhong

Summarised financial information of Xinyida Hengzhong which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022 RMB'000	2021 RMB'000
Current assets	174,166	181,970
Non-current assets	8,724	13,854
Current liabilities	63,165	78,387
Equity attributable to owners of the Company	57,181	56,088
Non-controlling interests	62,544	61,349

	2022 RMB'000	2021 RMB'000
Revenue	109,729	140,740
Expenses	(107,442)	(131,164)
Profit for the year	2,287	9,576
Profit attributable to owners of the Company	1,092	4,574
Profit attributable to non-controlling interests	1,195	5,002
Net cash (outflow) inflow from operating activities	(335)	233
Net cash outflow from investing activities	(323)	(1,011)
Net cash outflow from financing activities	–	–
Net cash outflow	(658)	(778)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

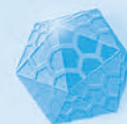
51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC

Summarised financial information of NCSC which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022 RMB'000
Current assets	1,724,861
Non-current assets	1,417,926
Current liabilities	394,008
Non-current liabilities	573,911
Equity attributable to owners of the Company	1,348,201
Non-controlling interests	826,667



Notes to the Consolidated Financial Statements

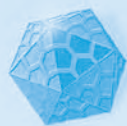
For the year ended 31 December 2022

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Cont'd)

NCSC (Cont'd)

	From 14 November 2022 (date of acquisition) to 31 December 2022 RMB'000
Revenue	135,746
Expenses	(106,632)
Profit attributable to owners of the Company	18,048
Profit attributable to non-controlling interests	11,066
Profit for the year	29,114
Other comprehensive expense attributable to the Company	(37,734)
Other comprehensive expense attributable to non-controlling Interests	(23,137)
Other comprehensive expense for the year	(60,871)
Total comprehensive expense attributable to owners of the Company	(19,686)
Total comprehensive expense attributable to non-controlling interests	(12,071)
Total comprehensive expense	(31,757)
Net cash inflow from operating activities	61,757
Net cash outflow from investing activities	(254,657)
Net cash inflow from financing activities	706,814
Net cash inflow	513,914

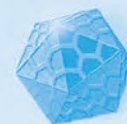


Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	1,700,742	1,700,742
Property, plant and equipment	95	126
Amounts due from subsidiaries	7,142,494	4,121,053
Equity investment at FVTPL	92,593	162,181
	8,935,924	5,984,102
Current assets		
Other receivables and prepayments	258,907	88,268
Bank balances and cash	230,016	2,104,618
	488,923	2,192,886
Current liabilities		
Amounts due to from subsidiaries	220,451	198,694
Other payables	5,807	4,652
Net current assets	262,665	1,989,540
Total assets less current liabilities	9,198,589	7,973,642
Non-current liability		
Senior notes	4,204,158	3,876,911
Net assets	4,994,431	4,096,731
Capital and reserves		
Share capital	141,837	141,837
Share premium and reserves	4,852,594	3,954,894
	4,994,431	4,096,731



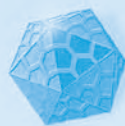
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movements in reserves

	Share premium RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	2,484,484	24,034	842,792	3,351,310
Profit and total comprehensive income for the year	–	–	1,260,859	1,260,859
Lapse of share-based payments	–	(1,310)	1,310	–
Dividends recognised as distribution	(657,275)	–	–	(657,275)
At 31 December 2021	1,827,209	22,724	2,104,961	3,954,894
Profit and total comprehensive income for the year	–	–	1,370,883	1,370,883
Dividends recognised as distribution	(473,183)	–	–	(473,183)
At 31 December 2022	1,354,026	22,724	3,475,844	4,852,594



Group Financial Summary

RESULTS

	2022 RMB'000	For the year ended 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	8,489,135	8,002,791	7,131,052	7,247,389	5,911,744
Profit (loss) before tax	1,513,299	2,083,591	1,847,456	2,243,801	1,632,111
Income tax expense	(169,184)	(300,639)	(264,494)	(394,272)	(451,648)
Total comprehensive income (expense) for the year	1,308,402	1,871,582	1,579,410	1,849,529	1,180,463
Attributable to:					
Owners of the Company	1,190,988	1,640,021	1,556,928	1,801,281	1,159,449
Non-controlling interests	117,414	231,561	22,482	48,248	21,014
	1,308,402	1,871,582	1,579,410	1,849,529	1,180,463

ASSETS AND LIABILITIES

	2022 RMB'000	At 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	30,239,253	26,648,351	18,906,232	14,579,813	12,392,057
Total liabilities	(16,847,502)	(14,856,724)	(8,379,015)	(5,354,149)	(4,793,102)
	13,391,751	11,791,627	10,527,217	9,225,664	7,598,955
Equity attributable to:					
Owners of the Company	12,031,353	11,313,548	10,330,802	9,052,939	7,525,265
Non-controlling interests	1,360,398	478,079	196,415	172,725	73,690
	13,391,751	11,791,627	10,527,217	9,225,664	7,598,955

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

West China Cement Limited

<i>Headquarters and principal place of business in the PRC</i>	<i>Place of business in Hong Kong</i>	<i>Registered office</i>
Yaobai R&D Training Center No.336 4th Shenzhou Road Aerospace Industrial Base Chang'an District Xi'an, Shaanxi Province, PRC	Unit 3705, 37/F, Tower 6 The Gateway, Harbour City 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong	13 Castle Street St. Helier Jersey JE1 1ES Channel Islands

TRUSTEE

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 26, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL PAYING AGENT TRANSFER AGENT REGISTRAR

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 26, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISORS TO THE COMPANY

as to the United States Law

Allen Overy Shearman Sterling
9th Floor, Three Exchange Square
Central
Hong Kong

as to Hong Kong Law

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Hong Kong

as to BVI law

Carey Olsen LLP
Forum St. Paul's
Gutter Lane
London EC2V 8AS
United Kingdom

as to PRC law

**Beijing Jincheng Tongda &
Neal (Shenzhen) Law Firm**
42nd Floor
Media Finance Center
No.9 Pengcheng 1st Road
Futian District
Shenzhen, China

as to Jersey law

Carey Olsen Jersey LLP
47 Esplanade
St. Helier
Jersey JE1 0BD

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to United States law

Morgan, Lewis, & Bockius
19th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law

Commerce & Finance Law Offices
10/F, HyQ
Chow Tai Fook Finance Tower
Qian Hai
Shenzhen
China

LEGAL ADVISORS TO THE TRUSTEE

as to United States law

King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong