

CONCH



2014 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)



Important

The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statements or material omission.

As considered by the fifth meeting of the sixth session of the Board of the Company, the annual profit distribution proposal for 2014 is: a cash dividend of RMB6.5 (tax inclusive) for every 10 shares, i.e. a cash dividend of RMB5.85 for every 10 shares (after deducting tax).

Mr. Guo Wensan (Chairman), Mr. Wang Jianchao (General Manager) and Mr. Zhou Bo (Chief accountant) declare that they warrant the financial statements contained herein are true, accurate and complete.

The Company's plans for 2015 concerning its capital expenditure, production capacity and net sales growth (as disclosed in the section headed "Management Discussion and Analysis" herein) do not constitute any substantive commitment to investors. Investors and the public are advised to be cautious of any investment risks.



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Definitions

The following terms and expressions contained in this report shall, unless the context otherwise requires, have the meanings assigned to them as follows:

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the Board of Directors of the Company
Director(s)	:	the Director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.
Bazhong Conch	:	Bazhong Conch Cement Co., Ltd.
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Baoshan Conch	:	Baoshan Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Chaodong Cement	:	Anhui Chaodong Cement Co., Ltd.
Chongqing Conch	:	Chongqing Conch Cement Co., Ltd.
Fusui Conch	:	Fusui Xinning Conch Cement Co., Ltd.
Guiding Conch	:	Guiding Conch Panjiang Cement Co., Ltd.
Foshan Conch	:	Foshan Conch Cement Co., Ltd.



Definitions

Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
CCVH	:	China Conch Venture Holdings Limited
Conch Property	:	Wuhu Conch Property Management Co., Ltd.
Conch International	:	Conch International Holdings (HK) Limited
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Haichang Port	:	YangZhou Haichang Port Industrial Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Jidong Cement	:	Tangshan Jidong Cement Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Linxia Conch	:	Linxia Conch Cement Co., Ltd.
Ningguo Cement Plant	:	Ningguo Cement Plant of Anhui Conch Cement Co., Ltd.



Definitions

Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd.
Sanshan Port	:	Wuhu Sanshan Conch Port Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Tongren Conch	:	Tongren Conch Panjiang Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Wenshan Conch	:	Wenshan Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Indonesia Conch	:	PT Conch Cement Indonesia
Kalimantan Conch	:	PT Conch South Kalimantan Cement
Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
Zunyi Conch	:	Zunyi Conch Panjiang Cement Co., Ltd.
NOx	:	Nitrogen Oxide
Low-NOx staged combustion technology modification	:	The combustion technology that enables staged combustion of coal power and air under different environment to prevent the formation of NOx emissions



Definitions

SNCR flue gas denitration technology modification	:	Selective non-catalytic reduction denitration technology modification, for the purpose of denitration by spraying ammonia or urea
Regional Committee(s)	:	Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Reporting Period	:	The period from 1 January 2014 to 31 December 2014
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
SSE	:	Shanghai Stock Exchange
SSE Listing Rules	:	The Rules Governing the Listing of Stocks on the SSE

Definitions

A Shares	:	Ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	Foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Clinker	:	Semi-finished products made in the manufacturing process of cement
Hong Kong	:	Hong Kong Special Administrative Region of the PRC
RMB	:	Renminbi, the lawful currency of the PRC, which is the currency unit used in this report, unless otherwise specified
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission
Articles	:	Articles of Association of the Company



Material Risk Alert

1. The cement industry in which the Company operates is highly dependent on the construction industry and closely related to the growth rate of the national economy, especially that of fixed asset investments, and is susceptible to the cyclical changes in the macro-economy. Therefore, the cyclical volatility in the macro-economy and adjustment of the macro-economic policy will have relatively large impact on the operation and development of the cement industry due to their influence on fixed asset investments. Adjustment in economic structure in China may result in a decelerating growth in fixed asset investments, which would have direct impact on the market demand for and market price of building material products, thereby adversely affecting the operation and development of the Company.

To address the above-mentioned risks, the Group will closely monitor changes in the State's macro-economic policies and step up its efforts in conducting analysis and research on policies that affect the cement industry and related factors. Meanwhile, to align with the Company's development strategies, the Group will continue to expand and fine-tune its strategic market planning to mitigate the negative impact of volatility in a single market or in certain segments of the market on the Company. Furthermore, the Group will timely adjust its marketing strategies according to changes in the market environment to ensure smooth production and operation of the Company.

2. Coal and electricity are the major types of energy consumed by the Company in the production process. The cost of these two types of energy accounts for around 60% of the total manufacturing cost of cement. In the event of substantial surge in energy prices due to factors such as policy adjustment or changes in market supply and demand, the Company will be under pressure of rising production costs. If the increase in cost resulted from the above factors could not be entirely transferred to the product price, the Company's profitability may be adversely affected.

In order to address the above-mentioned risks, the Company will continue to explore strategic cooperation with large-scale domestic coal corporations, expand coal procurement channels and take advantage of bulk procurement to secure coal needed for production at a reasonable price. In the meantime, the Group will enhance cooperation with major energy power companies in direct purchase of electricity, so as to reduce electricity costs. Furthermore, the Group will lower various consumption indicators such as coal and electricity consumption rates through benchmark management, and carry out technical modification to promote energy conservation and emission reduction. All these measures will enable the Group to reduce cost and improve efficiency, thereby enhancing its market competitiveness.



Material Risk Alert

3. The Ministry of Environmental Protection of the PRC issued the latest “Emission Standard of Air Pollutants for Cement Industry” in December 2013, which imposes more stringent requirements in respect of air pollution control, dust discharge standard and NO_x emission limit for the cement industry. Newly-established enterprises shall comply with the new standard from 1 March 2014, while existing enterprises shall implement the new standard starting from 1 July 2015. With the implementation of the new standard, the operating costs of the Company will increase.

To address the above risks, the Group will further accelerate the implementation of SNCR and staged combustion technology, while continuously improving its operation efficiency to reduce the consumption of ammonia and other raw materials and effectively control operating costs. Meanwhile, efforts will be stepped up to promote environmental-related technical upgrade projects such as electric dust collection technical upgrade, and to enhance sophisticated management and operation and maintenance of daily dust collection equipment, to ensure compliance with the discharge standard. Stringent enforcement of national policies and regulations in respect of environmental protection will speed up the elimination of backward production capacity and facilitate the structural adjustment of the cement industry. All these will enable the Group to further leverage and benefit from its competitive edge.



1. Corporate Profile

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
Official English name of the Company : ANHUI CONCH CEMENT COMPANY LIMITED
Abbreviation in English : ACC
- (2) **Legal Representative of the Company** : Guo Wensan
- (3) **Secretary to the Board** : Yang Kaifa
(Company Secretary)
- Phone number** : 0086 553 8398927
Fax number : 0086 553 8398931
Company secretary (Hong Kong) : Leo P. Y. Chiu
Phone number : 00852 21113220
Fax number : 00852 21113299
Securities Affairs Representative : Liao Dan
Phone number : 0086 553 8398911
Fax number : 0086 553 8398931
E-mail : dms@conch.cn
- (4) **Registered address of the Company** : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Office address of the Company : 1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Postal code : 241070
Email address of the Company : cement@conch.cn
Website of the Company : <http://www.conch.cn>
Contact address in Hong Kong : 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- (5) **Company's designated newspaper for information disclosure in the PRC** : Shanghai Securities Journal, Securities Times
Website for publication of this report : <http://www.sse.com.cn>
Location where this annual report is available for inspection : Secretariat to the Board of the Company
- (6) **Exchange on which the Company's shares are listed:**
- H Shares** : Stock Exchange
Stock code : 00914
A Shares : SSE
Stock code : 600585
Stock name : Conch Cement

1. Corporate Profile

- (7) **Date of first registration of the Company:** 1 September 1997
Place of first registration of the Company : Industrial and Commercial Administration Bureau, Anhui Province
Date of registration of changes in particulars of the Company : 10 September 2012
Place of registration of changes in particulars of the Company : Industrial and Commercial Administration Bureau, Anhui Province
Business license number for legal person : 340000000000081
Tax registration number : GSWZ 34020214949036-X
DSWZ 34020214949036-X
- (8) **Legal adviser as to PRC law :** Jingtian & Gongcheng
34th Floor, Tower 3,
China Central Place,
77 Jianguo Road, Chaoyang District,
Beijing, the PRC
Legal adviser as to Hong Kong law : Chiu & Partners
40th Floor, Jardine House,
1 Connaught Place, Central,
Hong Kong
- (9) **International auditors :** KPMG Certified Public Accountants
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong
PRC auditors : KPMG Huazhen Certified Public Accountants
(Special General Partnership)
8th Floor, Office Tower 2,
Oriental Plaza, 1 East Chang An Avenue,
Beijing, the PRC
Authorised signatory of the Accountant : Yu Xiaojun, Li Ling
- (10) **H Shares share registrar and transfer office :** Hong Kong Registrars Limited
17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

2. Summary of Accounting Data and Financial Indicators

(1) FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) FOR THE YEAR ENDED 31 DECEMBER

(Unit: RMB'000)

Items	2014	2013	2012	2011	2010
Revenue	60,758,501	55,261,677	45,766,203	48,653,809	34,508,282
Net profit attributable to equity shareholders of the Company (Restated)	10,980,917	9,389,298	6,331,103	11,586,382	6,159,643
Total assets (Restated)	102,253,097	93,094,480	87,523,523	84,003,416	60,407,154
Total liabilities	33,026,013	34,692,721	36,720,402	37,554,590	25,157,974

Note: Under the Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board (“IASB”), the Group recognized in the financial report prepared in accordance with IFRSs the land valuation surplus from restructure during listing process since 2011, and restated the comparative figures of the “Net profit attributable to equity shareholders of the Company” and “Total assets” in 2010 prepared in accordance with IFRSs as stated in the above table.

2. Summary of Accounting Data and Financial Indicators

(2) ACCOUNTING DATA PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

1. Major accounting data and financial indicators for the preceding three years

Table 1:

Items	(Unit: RMB'000)			
	2014	2013	Year-on-year change (%) between 2014 and 2013	2012
Revenue	60,758,501	55,261,677	9.95	45,766,203
Profit before taxation	14,882,810	12,631,266	17.83	8,087,817
Net profit attributable to equity shareholders of the Company	10,993,022	9,380,159	17.19	6,307,587
Net profit after extraordinary items attributable to equity shareholders of the Company	10,387,223	8,952,455	16.03	5,651,326
Basic earnings per share (RMB/share)	2.07	1.77	17.19	1.19
Diluted earnings per share (RMB/share)	2.07	1.77	17.19	1.19
Basic earnings per share after extraordinary items (RMB/share)	1.96	1.69	16.03	1.07
Diluted return on net assets (%)	16.60	16.72	Decreased by 0.12 percentage points	12.90
Weighted average return on net assets (%)	18.47	18.05	Increased by 0.42 percentage points	13.50
Diluted return on net assets after extraordinary items (%)	15.69	15.95	Decreased by 0.26 percentage points	11.56
Weighted average return on net assets after extraordinary items (%)	17.45	17.22	Increased by 0.23 percentage points	12.10
Net cash flow generated from operating activities	17,654,489	15,198,545	16.16	11,508,639
Net cash flow per share generated from operating activities (RMB/share)	3.33	2.87	16.16	2.17

2. Summary of Accounting Data and Financial Indicators

Table 2:

Items	(Unit: RMB'000)			
	As at 31 December 2014	As at 31 December 2013	Year-on-year change (%) between 2014 and 2013	As at 31 December 2012
Total assets	102,253,097	93,094,480	9.84	87,523,523
Total equity attributable to equity shareholders of the Company	66,216,608	56,118,028	18.00	48,901,205
Net assets per share attributable to equity shareholders of the Company (RMB/share)	12.50	10.59	18.00	9.23

2. Extraordinary items and amount for the Reporting Period

Extraordinary items	(Unit: RMB'000)		
	2014	2013	2012
(1) Gain/(Loss) on disposal of non-current assets	(4,022)	(634)	22,743
(2) Government subsidy	692,767	539,621	766,844
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and financial assets available for sale	29,890	8,175	26,101
(4) Gain on investment cost for acquisition of subsidiaries less than the fair value of identifiable net assets	13,090	-	8,924
(5) Gain/(Loss) on entrusted loans	11,612	-	29,168
(6) Entrusted fee income obtained from entrusted operation	21,000	982	814
(7) Charges on share of funds received from non-financial enterprises included in the current income statement	10,794	15,823	9,301
(8) Other non-operating income and expenses other than the above items	31,697	7,097	9,296
(9) Effect of extraordinary items on income tax	(192,608)	(135,616)	(203,201)
(10) Effect of extraordinary items on minority interests	(8,420)	(7,743)	(13,729)
Total	605,800	427,705	656,261

2. Summary of Accounting Data and Financial Indicators

3. Explanations for differences between consolidated financial statements prepared in accordance with the PRC Accounting Standards and IFRSs

(Unit: RMB'000)

	Net profit attributable to parent company		Equity attributable to equity shareholders of parent company	
	1 January to 31 December 2014 (Audited)	1 January to 31 December 2013 (Audited)	31 December 2014 (Audited)	31 December 2013 (Audited)
As reported in the statutory financial statements in accordance with the PRC Accounting Standards	10,993,022	9,380,159	66,216,608	56,118,028
- Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 - Government Subsidy" in accordance with IFRSs	(12,105)	9,139	(366,632)	(354,527)
As reported in accordance with IFRSs	10,980,917	9,389,298	65,849,976	55,763,501

3. Management Discussion and Analysis

MACRO-ENVIRONMENT

In 2014, the PRC's economy maintained steady development. The year-on-year GDP growth rate for 2014 was 7.4%, down by 0.3 percentage point from that of the previous year. Fixed asset investments across the country saw a year-on-year growth of 15.7%, down by 3.9 percentage points from that in the same period of last year, while property investment sustained a year-on-year increase of 10.5%, down by 9.3 percentage points from that in the same period of last year. (Source: National Bureau of Statistics of China)

In 2014, affected by declining growth in both fixed asset investment and property investment, the cement market demand was weak. The PRC's cement production volume rose by 1.8% year-on-year to 2.476 billion tonnes. The growth rate of cement output represented a decrease of 7.8 percentage points from that of the previous year, while that of demand reached a record low in over 20 years. Meanwhile, as the government persisted in imposing strict control over new production capacity of the cement industry, investment in the industry continued to decline, with cement investments decreased by 19.4% year-on-year. The government also stepped up efforts to eliminate backward production capacity, leading to continuous decline in growth of production capacity of the industry. (Source: Digital Cement)

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

In 2014, under the macro-environment of sluggish growth in fixed asset investments and a depressed property market, the growth in cement market demand dropped sharply. The Group proactively coped with the intense market competition by studying the supply-and-demand condition, making timely adjustment to its marketing strategy to enhance market coverage, improving the fundamental management, focusing on production and operation benchmarks, and reshaping its development model. All these enabled the Group to make further progress in pursuit of its internationalization strategy and achieve a steady growth in both production and sales, with better operating performance indicators and improved operating efficiency.

3. Management Discussion and Analysis

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from its principal activities amounted to RMB58.965 billion, representing an increase of 8.79% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB10.993 billion, representing an increase of 17.19% from that in the same period of last year; and earnings per share were RMB2.07, representing an increase of RMB0.3 per share from that in the same period of last year. In accordance with the IFRS, the revenue amounted to RMB60.759 billion, representing an increase of 9.95% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB10.981 billion, representing an increase of 16.95% from that in the same period of last year; and earnings per share were RMB2.07.

The Group promoted steady progress in project construction. The construction of 11 clinker production lines and their ancillary residual heat electricity generation units of Wenshan Conch and Bazhong Conch, as well as 29 cement grinding units of Beiliu Conch and Baoshan Conch had been completed and put into operation. Meanwhile, the construction of 10 aggregate projects of Prosperity Conch and Fusui Conch was completed. As to merger and acquisition, the Group proactively conducted project researches and feasibility studies. Adhering to the principles of "having sufficient resources, full set of equipment, complete set of approvals and certificates, strong market potential, and increasing the Company's competitiveness", the Group acquired five cement enterprises, namely Hunan Yunfeng, Shaoyang Yunfeng, Shuicheng Conch, Kunming Hongxi and Goldsun Cement (Hunan).

The Group accelerated its international development. During the Reporting Period, the 3,200t/d clinker production line for Phase-one of Kalimantan Conch in Indonesia was completed and put into production, while the Merak grinding mill project in Indonesia and the cement projects in Maros and Papua Barat made smooth progress. The BOT cooperation agreement was officially signed for the cement project in Kyaukse, Burma, where the technical upgrade of the old production lines had been completed with significant improvement and construction of a 5,000t/d clinker production line had commenced. In addition, the Group conducted on-site survey and research on a number of subject projects in Southeast Asian countries including Laos and Cambodia, and carried out preliminary preparation works.

The Group's clinker and cement production capacity increased by 24.50 million tonnes and 36.93 million tonnes respectively for the full year. As at the end of 2014, the Group's clinker, cement and aggregate production capacity amounted to 212 million tonnes, 264 million tonnes and 14.4 million tonnes respectively, with a total residual heat electricity generating capacity of 968MW. In 2014, the Group produced an aggregate of 197 million tonnes of clinker and 219 million tonnes of cement, representing a year-on-year increase of 11% and 18% respectively.

Conch responded to the government's strategy of "One belt and one road" by investing to establish plants in Southeast Asian countries and accelerated its pace of "overseas expansion", so as to improve its international competitiveness and capability for sustainable development. In 2014, the production line for Phase-one of Kalimantan Conch in Indonesia, the first overseas entity project of the Company, was completed and put into production, while construction of the projects in West Papua and Merak made smooth progress. The BOT cooperation agreement was officially signed for the cement project in Kyaukse, Burma, and construction of the new 5,000t/d clinker production line had commenced. The Group conducted survey and research on a number of cement projects in several countries including Burma, India, Cambodia and Laos, and signed cooperation framework agreements for certain projects in Cambodia and Laos, forming the preliminary strategic layout in the Southeast Asian market.



The "One belt and one road" strategic cooperation agreement is entered into between Conch Cement and the Bank of China



General view of the production line in Kalimantan Conch



- ① Joint venture contract for the cement project in West Papua Indonesia is entered into between SDIC and Conch Group
- ② Cooperation agreement is signed for the cement project in Luang Prabang, Laos
- ③ Cooperation framework agreement is signed for the cement project in Vientiane, Laos
- ④ Cooperation framework agreement is signed for the project in Battambang, Cambodia
- ⑤ BOT cooperation agreement is signed for the 5,000t/d clinker production line in Myanmar Conch with construction commenced

3. Management Discussion and Analysis

The Group has been persistently complying with the government's policies in respect of environmental protection, energy saving and emission reduction, and completed the low-NOx staged combustion technology modification to 14 production lines and the SNCR flue gas denitration technology modification to 34 production lines during the Reporting Period. As at the end of the Reporting Period, the Group had completed the technical upgrade of NOx reduction to 95% of its clinker production lines, which were running smoothly. In addition, the Group increased its investments in environmental protection, completing the dust treatment modification of the packaging system of all of its subsidiaries, while actively carrying out technical modification of electric dust collectors to ensure that its dust emission meets the required standards.

During the Reporting Period, the Group made continuous efforts to facilitate management transformation. It continued to strengthen its competitive edge in technology, equipment, resources, funds, human resources and management, so as to further enhance its core competitiveness.

Sales Market Overview

In 2014, the Group realised an aggregate net sales volume of cement and clinker of 249 million tonnes, representing a year-on-year growth of 9.29%.

Markets and Sales by Region

Region	Sales Amount by Region				Change	
	2014		2013		Changes in sales amount (%)	in sales proportion (percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China ^{Note 1}	18,794,531	31.87	19,051,447	35.15	-1.35	-3.28
Central China ^{Note 2}	16,053,244	27.23	15,610,987	28.80	2.83	-1.57
South China ^{Note 3}	10,831,632	18.37	8,657,457	15.97	25.11	2.40
West China ^{Note 4}	11,789,818	19.99	9,458,318	17.45	24.65	2.54
Export	1,495,310	2.54	1,422,403	2.63	5.13	-0.09
Total	58,964,535	100.00	54,200,612	100.00	8.79	-

Notes: 1. East China mainly includes Jiangsu, Zhejiang, Shanghai and Fujian;

2. Central China mainly includes Anhui, Jiangxi and Hunan;

3. South China mainly includes Guangdong and Guangxi;

4. West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu and Shaanxi.

3. Management Discussion and Analysis

During the Reporting Period, the Group strengthened analysis and research on macroeconomic trends, changes in supply-and-demand relations in each regional market, and the competitive landscape. This led to a more focused marketing strategy, which helped the Company to effectively expand its market coverage and boost its overall cement sales volume.

In **East China** where no new production facilities had been built and the supply-and-demand condition was stable, the Company optimized its sales structure to reduce the proportion of clinker sold to external parties to stabilize cement prices. The Company's sales amount decreased by 1.35% on a year-on-year basis.

With the increase in demand from infrastructure construction, the Company's product sales volume in **Central China** reported a year-on-year increase of 7.47%, and the sales amount increased by 2.83% on a year-on-year basis.

In view of a relatively strong demand and high industry concentration in **South China**, quantity and price both increased. The Company's product sales volume rose by 16.91% year-on-year, while the selling prices recorded a year-on-year increase of 7.13%, resulting in a year-on-year growth of 25.11% in the sales amount.

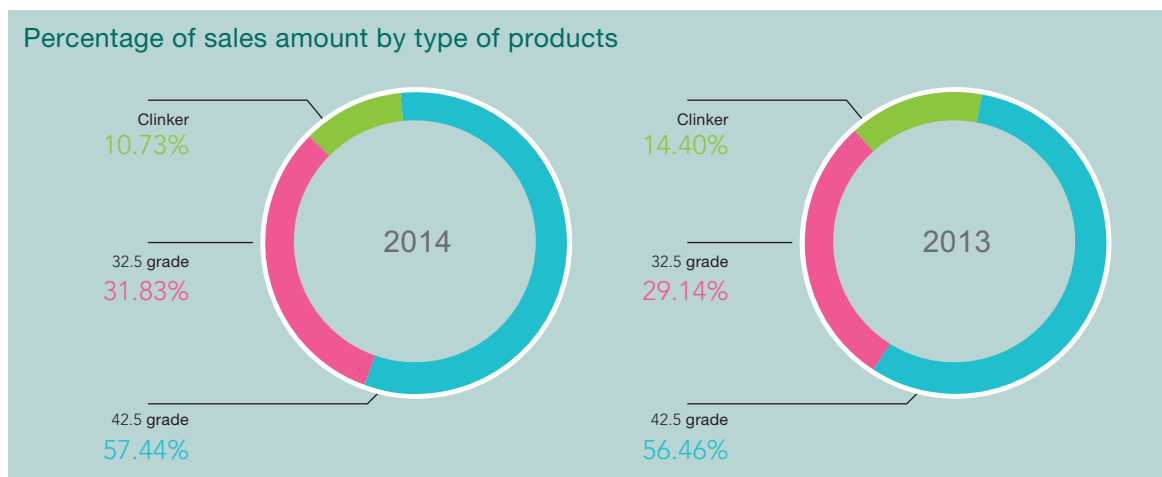
West China fell behind in infrastructure construction, but its market demand was growing at a steady pace. Through acquisition and inauguration of newly completed projects, the Company further increased its market dominance and competitiveness. It recorded a year-on-year increase of 29.29% and 24.65% in product sales volume and sales amount respectively.

Export remained relatively stable, with a year-on-year increase of 2.55% and 5.13% respectively in product export sales volume and sales amount.

3. Management Discussion and Analysis

SALES BY TYPE OF PRODUCTS

During the Reporting Period, as the Group stepped up its efforts to promote sales of cement and reduced the proportion of clinker sold to external parties, the sales contribution of 42.5-grade cement increased by 0.98 percentage point to 57.44%, and the sales contribution of 32.5-grade cement increased by 2.69 percentage points to 31.83%, while the sales contribution of clinker decreased by 3.67 percentage points to 10.73%.



PROFIT ANALYSIS

Major items in the income statement prepared in accordance with the PRC Accounting Standards

Item	Amount		Change from that of the corresponding period of last year (%)
	2014 (RMB'000)	2013 (RMB'000)	
Revenue from principal activities	58,964,535	54,200,612	8.79
Profit from operations	13,823,479	11,742,679	17.72
Profit before taxation	14,882,810	12,631,266	17.83
Net profit attributable to equity shareholders of the Company	10,993,022	9,380,159	17.19

3. Management Discussion and Analysis

During the Reporting Period, due to the increase in the sales volume of products, the Group's revenue from principal activities increased by 8.79% year-on-year to RMB58,964.54 million. Meanwhile, benefiting from the decline in the unit costs of the products, the profitability of the Group improved, and its profit from operations amounted to RMB13,823.48 million, representing a year-on-year increase of 17.72%. The net profit attributable to equity shareholders of the Company increased by 17.19% year-on-year to RMB10,993.02 million.

Gross profit margin by type of products in 2014 and its year-on-year change

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period last year (%)	Year-on-year change in gross profit margin (percentage points)
42.5-grade cement	33,807,830	22,490,647	33.48	32.74	0.74
32.5-grade cement	18,731,368	11,821,925	36.89	37.43	-0.54
Clinker	6,317,212	4,257,742	32.60	28.01	4.59
Aggregate and carpolite	108,125	52,812	51.16	29.98	21.18
Total	58,964,535	38,623,126	34.50	33.42	1.08

(Note: The 42.5-grade cement includes cement of grade 42.5 and above)

During the Reporting Period, benefiting from the decrease in the unit costs of the products, the consolidated gross profit margin recorded a year-on-year increase of 1.08 percentage points to 34.50%, of which the gross profit margin of the 42.5-grade cement and clinker increased by 0.74 percentage points and 4.59 percentage points on a year-on-year basis respectively. In addition, the Group reported a sales volume of 4.48 million tonnes of aggregate and carpolite with a gross profit margin of 51.16%.

3. Management Discussion and Analysis

ANALYSIS OF COSTS AND EXPENSES

Consolidated costs of cement and clinker in 2014 and their year-on-year change

Item	2014		2013		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/tonne)	Percentage (%)	Unit costs (RMB/tonne)	Percentage (%)		
Raw materials	30.62	19.79	28.76	18.19	6.47	1.60
Fuel and power	92.62	59.86	98.28	62.15	-5.76	-2.29
Depreciation expense	11.59	7.49	11.93	7.54	-2.85	-0.05
Labor cost and others	19.90	12.86	19.16	12.12	3.86	0.74
Total	154.73	100.00	158.13	100.00	-2.15	-

During the Reporting Period, the consolidated costs of the Company decreased by 2.15% or RMB3.4/tonne year-on-year to RMB154.73/tonne, which was mainly due to the decline in coal price and the further improvement in the key indicators such as consumption of coal and electricity.

3. Management Discussion and Analysis

Changes in major expense items prepared in accordance with the PRC Accounting Standards

Expenses for the period	2014 amount (RMB'000)	2013 amount (RMB'000)	As a percentage of revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the same period last year (%)	Change in percentage of revenue from principal activities (percentage points)
Selling expenses	2,936,835	2,684,505	4.98	4.95	0.03
Administrative expenses	2,679,858	2,395,767	4.54	4.42	0.12
Financial expenses (net)	714,489	968,510	1.21	1.79	-0.58
Total	6,331,182	6,048,782	10.73	11.16	-0.43

During the Reporting Period, driven by increase in sales volume and expansion of the Group's scale of operation, the Group's selling, administrative and financial expenses in aggregate increased by RMB282.4 million as compared to the corresponding period of last year, but the above expenses in aggregate as a percentage of revenue from principal activities was 10.73%, down by 0.43 percentage point as compared to the corresponding period of last year.

3. Management Discussion and Analysis

FINANCIAL POSITION

Asset and Liability Overview

Changes in assets and liabilities prepared in accordance with the PRC Accounting Standards

Item	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Change as at the end of the Reporting Period compared to those as at the beginning of the year (%)
Fixed assets	57,250,500	51,527,441	11.11
Current and other assets	45,002,597	41,567,039	8.27
Total assets	102,253,097	93,094,480	9.84
Current liabilities	14,397,009	14,545,325	-1.02
Non-current liabilities	18,244,847	19,783,975	-7.78
Minority interests	3,394,633	2,647,152	28.24
Shareholders' equity attributable to equity shareholders of the Company	66,216,608	56,118,028	18.00
Total liabilities and equity	102,253,097	93,094,480	9.84

As at 31 December 2014, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB102,253.10 million and RMB32,641.86 million respectively, representing an increase of 9.84% and a decrease of 4.92% respectively as compared to those at the end of the previous year. As at 31 December 2014, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 31.92%, representing a decrease of 4.96 percentage points as compared to that at the end of the previous year.

Please refer to note 12 to the financial statements prepared in accordance with the PRC Accounting Standards for information of the contingent liabilities of the Group.

3. Management Discussion and Analysis

As at 31 December 2014, shareholders' equity attributable to equity shareholders of the Company amounted to RMB66,216.61 million, representing an increase of 18% as compared to that at the end of the previous year. Net assets per share attributable to equity shareholders of the Company was RMB12.50, representing an increase of RMB1.91/share as compared to that at the end of the previous year.

As at 31 December 2014, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB25,097.06 million and RMB14,397.01 million respectively, with a current ratio of 1.74:1 (corresponding period last year: 1.69:1). The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB25,270.49 million and RMB14,397.01 million respectively, with net gearing ratio of 0.11 (corresponding period last year: 0.27), which was mainly due to the increase in net cash flow generated from operating activities and the decrease in interest-bearing liabilities. Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2014 is as follows:

	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)
Due within 1 year	2,329,167	2,934,810
Due after 1 year but within 2 years	799,273	2,049,515
Due after 2 years but within 5 years	1,095,273	1,029,818
Due after 5 years	209,975	652,423
Total	4,433,688	6,666,566

As at 31 December 2014, the Group's aggregate borrowings were RMB4,433.69 million, representing a decrease of RMB2,232.88 million as compared to those at the beginning of the year. The decrease was mainly attributable to the repayment of certain bank loans during the Reporting Period. Details on loans bearing interest at fixed rate are set out in Note 8(3)(a) to the financial statements prepared in accordance with the PRC Accounting Standards.

3. Management Discussion and Analysis

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB15.5 billion, of which RMB7 billion would be due after 1 year but within 2 years, RMB5 billion would be due after 3 years but within 5 years, and RMB3.5 billion would be due after 5 years.

During the Reporting Period, the Group's source of funding was mainly the net cash flow generated from operating activities and internal resources.

Analysis of Cash Flow

Comparison of net cash flow prepared in accordance with the PRC Accounting Standards

	2014 (RMB'000)	2013 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	17,654,489	15,198,545	16.16
Net cash flows generated from investment activities	(4,851,114)	(12,476,327)	61.12
Net cash flows generated from financing activities	(6,785,676)	(4,289,366)	(58.20)
Effect of exchange rate movement on cash and cash equivalents	(24,510)	(24,894)	1.54
Net increase/(decrease) in cash and cash equivalents	5,993,189	(1,592,042)	476.45
Balance of cash and cash equivalents at the beginning of the year	6,518,932	8,110,974	(19.63)
Balance of cash and cash equivalents at the end of the year	12,512,121	6,518,932	91.94

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB17,654.49 million, representing an increase of RMB2,456 million as compared to that of last year. Such increase was mainly due to the increase in revenue as a result of the increase in sales volume.

During the Reporting Period, the Group's net cash outflows from investment activities decreased by RMB7,625.21 million as compared to that of last year, mainly due to the increase in term deposits with a maturity of over three months collected by the Group as compared to that of last year.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB2,496.31 million as compared to that of last year, primarily attributable to the repayment of borrowings due and increase in dividend payment as compared to that of last year.

3. Management Discussion and Analysis

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB9.28 billion, which was primarily used in the investment in construction of cement and clinker production lines, the residual heat electricity generation projects and the aggregate projects as well as the expenditure in merger and acquisition of projects.

As at 31 December 2014, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)
Authorized and contracted for	2,416,216	4,801,756
Authorized but not contracted for	5,518,527	5,285,224
Total	7,934,743	10,086,980

Items measured by fair value

In accordance with the relevant requirements of the China Accounting Standards for Business Enterprises, the Group recognises the fair value of the forward exchange contract, foreign exchange swaps and foreign exchange options for the purpose of hedging as financial assets or liabilities at fair value through profit or loss, and any changes of fair value will be recognized in the profit or loss for the period (for details, please refer to note 5.2 and note 9.1 to the financial statements prepared in accordance with the PRC Accounting Standards). The Group has adopted the market price of assets at the end of the period (i.e. the closing price at the year-end) as the fair value of available-for-sale financial assets and any changes of fair value would be recognised in capital reserve (for details, please refer to note 5.11 and note 9.1 to the financial statements prepared in accordance with the PRC Accounting Standards). For details on the risk analysis of financial instruments, please refer to note 8 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

3. Management Discussion and Analysis

(Unit: RMB'000)

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
1. Financial assets at fair value through profit or loss	40,960	15,753	-	-	20,343
Of which: derivative financial assets	4,590	15,753	-	-	20,343
2. Available-for-sale financial assets	2,222,333	-	1,317,320	-	3,935,395
Financial assets sub-total	2,263,293	15,753	1,317,320	-	3,955,738
Financial liabilities					
1. Financial liabilities at fair value through profit or loss	-	1,473	-	-	1,473
Of which: derivative financial liabilities	-	1,473	-	-	1,473
Financial liabilities sub-total	-	1,473	-	-	1,473

3. Management Discussion and Analysis

Financial assets and financial liabilities denominated in foreign currency

(Unit: RMB'000)

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
Of which: 1.Cash balance	215,569	-	-	-	4,034,833
2.Financial assets at fair value through profit or loss	4,590	15,753	-	-	20,343
Of which: derivative financial assets	4,590	15,753	-	-	20,343
3.Loans and receivables	25,451	-	-	-	59,398
4.Available-for-sale financial assets	-	-	-	-	-
5.Investment held to maturity	-	-	-	-	-
Financial assets sub-total	245,610	15,753	-	-	4,114,574
Financial liabilities					
Of which: 1.Financial liabilities carried at amortised cost	331,322	-	-	-	306,482
2.Financial liabilities at fair value through profit or loss	-	1,473	-	-	1,473
Of which: derivative financial liabilities	-	1,473	-	-	1,473
Financial liabilities sub-total	331,322	1,473	-	-	307,955

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated, Rupiah-denominated and HK Dollar-denominated assets which included receivables and bank deposits, equivalent to RMB59.40 million and RMB4,034.83 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers, short-term borrowings and long-term borrowings, equivalent to RMB31.12 million, RMB122.38 million and RMB152.98 million respectively (please refer to note 8(4) to the financial statements prepared in accordance with the PRC Accounting Standards for details). For details on the translation policy for the foreign currency transactions and foreign currency statements, please refer to note 3.8 to the financial statements prepared in accordance with the PRC Accounting Standards.

3. Management Discussion and Analysis

OUTLOOK FOR 2015

In 2015, the PRC government will step up efforts in the structural adjustment of the economy and implement proactive fiscal policy and prudent monetary policy, so as to promote the stable and healthy development of the economy. A year-on-year GDP growth rate of about 7% is anticipated. (Source: Government Work Report of 2015)

With the PRC economy entering a “new normal” phase in 2015, the growth in fixed asset investments will further slow down, putting greater downward pressure on the demand for cement. Nevertheless, to secure a stable economic growth, the central government will continue to increase its investments in infrastructure construction including railways, highways and hydraulic facilities, as well as affordable housing and the redevelopment of shanty towns, while accelerating the implementation of the “One Belt and One Road” and “Yangtze River Economic Belt” strategy. All these will facilitate the growth in cement demand. On the supply side, China will adhere to the principle of replacing obsolete facilities with modern ones with same or less capacity by strictly controlling the growth of new production capacity in the cement industry and persisting in eliminating backward capacity, which will lead to further decline in new production capacity. The implementation of the “Emission Standard of Air Pollutants for Cement Industry”, coupled with the abolition of PC 32.5-grade cement, will force smaller, uncompetitive cement enterprises out of the market, thereby speeding up mergers and reorganizations within the industry. The above will help raise the industry concentration level and improve the supply-and-demand condition within the industry.

The Group will accelerate the implementation of its internationalization development strategy. Efforts will be made to vigorously push ahead the construction of the Merak grinding mill project and the cements projects in Maros, Papua Barat in Indonesia, and cement projects in Kyaukse, Burma, as well as the preliminary preparation works for the projects in Laos and Cambodia. Meanwhile, adhering to the established principles and standards of the Company, the Group will carry out mergers and acquisitions of domestic projects, so as to further fine-tune its strategic market planning. Furthermore, the Group will accelerate the geographical coverage expansion and increase investment of the aggregate business, so as to extend the industrial chain and facilitate sustainable development of the Company.

In 2015, the Group’s planned capital expenditure amounts to approximately RMB9 billion, which will be funded primarily by internal resources and supplemented by bank loans and mainly used in the construction of domestic projects including Tongren Conch and Linxia Conch and the overseas projects in Indonesia and Burma. It is expected that the clinker and cement production capacity will increase by approximately 11.5 million tonnes and 20.8 million tonnes respectively for the full year.

3. Management Discussion and Analysis

The Group will closely monitor changes in the external business environment, and will study and assess the market conditions more closely to develop a marketing strategy targeted at each region and phase, so as to consolidate and expand its market share. Meanwhile, the Group will strengthen benchmark management and its efforts in analyzing, studying and assessing the market supply conditions of bulk raw materials and fuels such as coal, to reinforce its competitiveness by lowering costs and increasing efficiency. In the meantime, the Group will continue to drive the transformation of management by accelerating the grooming of talents with international expertise and professional skills in order to secure the human resources required for the Company's next stage of business development. The Group targets to increase net sales volume of cement and clinker by approximately 30 million tonnes year on year. It is expected that the cost and expense of products per tonne will remain stable as compared to that of last year.

In 2015, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is highly dependent on the construction industry and closely related to the growth rate of the national economy, especially that of fixed asset investments, and is susceptible to the cyclical changes in the macro-economy. Therefore, the cyclical volatility in the macroeconomy and adjustment of the macro-economic policy will have relatively large impact on the operation and development of the cement industry due to their influence on fixed asset investments. Adjustment in economic structure in China may result in a decelerating growth in fixed asset investments, which would have direct impact on the market demand for and market price of building material products, thereby adversely affecting the operation and development of the Company.

To address the above-mentioned risks, the Group will closely monitor changes in the State's macro-economic policies and step up its efforts in conducting analysis and research on policies that affect the cement industry and related factors. Meanwhile, to align with the Company's development strategies, the Group will continue to expand and fine-tune its strategic market planning to mitigate the negative impact of volatility in a single market or in certain segments of the market on the Company. Furthermore, the Group will timely adjust its marketing strategies according to changes in the market environment to ensure smooth production and operation of the Company.

3. Management Discussion and Analysis

2. Coal and electricity are the major types of energy consumed by the Company in the production process. The cost of these two types of energy accounts for around 60% of the total manufacturing cost of cement. In the event of substantial surge in energy prices due to factors such as policy adjustment or changes in market supply and demand, the Company will be under pressure of rising production costs. If the increase in cost resulted from the above factors could not be entirely transferred to the product price, the Company's profitability may be adversely affected.

In order to address the above-mentioned risks, the Company will continue to explore strategic cooperation with large-scale domestic coal corporations, expand coal procurement channels and take advantage of bulk procurement to secure coal needed for production at a reasonable price. In the meantime, the Group will enhance cooperation with major energy power companies in direct purchase of electricity, so as to reduce electricity costs. Furthermore, the Group will lower various consumption indicators such as coal and electricity consumption rates through benchmark management, and carry out technical modification to promote energy conservation and emission reduction. All these measures will enable the Group to reduce cost and improve efficiency, thereby enhancing its market competitiveness.

3. The Ministry of Environmental Protection of the PRC issued the latest "Emission Standard of Air Pollutants for Cement Industry" in December 2013, which imposes more stringent requirements in respect of air pollution control, dust discharge standard and NOx emission limit for the cement industry. Newly-established enterprises shall comply with the new standard from 1 March 2014, while existing enterprises shall implement the new standard starting from 1 July 2015. With the implementation of the new standard, the operating costs of the Company will increase.

To address the above risks, the Group will further accelerate the implementation of SNCR and staged combustion technology, while continuously improving its operation efficiency to reduce the consumption of ammonia and other raw materials and effectively control operating costs. Meanwhile, efforts will be stepped up to promote environmental-related technical upgrade projects such as electric dust collection technical upgrade, and to enhance sophisticated management and operation and maintenance of daily dust collection equipment, to ensure compliance with the discharge standard. Stringent enforcement of national policies and regulations in respect of environmental protection will speed up the elimination of backward production capacity and facilitate the structural adjustment of the cement industry. All these will enable the Group to further leverage and benefit from its competitive edge.

4. Report of the Directors

(1) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Investment in project companies and capital increase in subsidiaries during the Reporting Period

- (1) In July 2014, the Company and Conch International (a subsidiary of the Company) established PT CONCH INTERNATIONAL TRADE INDONESIA (“PT CONCH INTERNATIONAL”), which is located in Jakarta, Indonesia, with an authorized share capital of US\$1 million, comprising a total of 10,000 shares with a nominal value of US\$100 each. The Company and Conch International own 10% and 90% of its equity interests respectively.
- (2) In October 2014, the Company invested in and established Baoji Conch Plastic Packaging Co., Ltd., which is located in Baoji City, Shaanxi Province, with a registered capital of RMB10 million. The Company owns 100% of its equity interests.
- (3) In October 2014, the Company and GAO SHENG GROUP PTE.LTD. (a company registered in Singapore, “GAO SHENG”) established Sino-Myanmar (Wuhu) International Trading Co., Ltd., which is located in Wuhu City, Anhui Province, with a registered capital of US\$65 million. The Company and GAO SHENG contributed to US\$29.25 million and US\$35.75 million, representing 45% and 55% of its equity interests respectively.
- (4) In November 2014, the Company and Myanmar MYINT Investment Group (“MYINT”) established MYANMAR CONCH CEMENT CO., LTD., which is located in Rangoon, Myanmar, with an authorized share capital of US\$20 million, comprising a total of 2,000,000 shares with a nominal value of US\$10 each. The Company and MYINT own 45% and 55% of its equity interests respectively.
- (5) In December 2014, Conch International and PT CONCH INTERNATIONAL established PT CONCH MAROS CEMENT INDONESIA. The authorized share capital of PT CONCH MAROS CEMENT INDONESIA is US\$50 million, comprising a total of 500,000 shares with a nominal value of US\$100 each. Conch International and PT CONCH INTERNATIONAL own 95% and 5% of its equity interests respectively.
- (6) In December 2014, Conch International and PT CONCH INTERNATIONAL established PT CONCH BARRU CEMENT INDONESIA. The authorized share capital of PT CONCH BARRU CEMENT INDONESIA is US\$50 million, comprising a total of 500,000 shares with a nominal value of US\$100 each. Conch International and PT CONCH INTERNATIONAL own 95% and 5% of its equity interests respectively.

4. Report of the Directors

- (7) In December 2014, the Company acquired 49% of the issued shares of PT SDIC PAPUA CEMENT INDONESIA. The authorized share capital of PT SDIC PAPUA CEMENT INDONESIA is US\$80 million, comprising a total of 80,000 shares with a nominal value of US\$1,000 each, of which 20,000 shares are issued. After completion of the acquisition, the Company owned 49% of its issued shares, while Yani Industrial Development Limited and Yaxi Industrial Development Limited (both being the wholly-owned subsidiaries of The State Development & Investment Corporation) in aggregate owned 51% of its issued shares.
- (8) During the Reporting Period, the Company made injection into the following subsidiaries with the capital increase as follows:

Name of subsidiaries	Capital increase by the Company	Enlarged registered capital	The Company's shareholdings upon the capital increase
1. PT Conch Cement Indonesia	US\$18.75 million	US\$51 million	75%
2. Shanghai Mingzhu Conch Cement Co., Ltd.	RMB15.35 million	RMB30 million	94.2%
3. Guigyang Conch Panjiang Cement Co., Ltd.	RMB50 million	RMB580 million	50%

Note: All of the respective shareholders of the above subsidiaries made injection in cash. After completion of the capital increase, the Company's shareholdings in the above subsidiaries remained the same as before.

2. Acquisition of project companies during the Reporting Period

- (1) Shaoyang Yunfeng New Energy Technology Co., Ltd.

In January 2014, the Company entered into an equity transfer agreement with the then shareholders of Shaoyang Yunfeng New Energy Technology Co., Ltd. ("Shaoyang Yunfeng") in relation to the acquisition of 65% equity interests in Shaoyang Yunfeng.

The registered capital of Shaoyang Yunfeng is RMB120 million. Shaoyang Yunfeng, which is located in Yuxi Town, Shaoyang City, Hunan Province, currently owns a 4,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 2.2 million tpa and ancillary production, living and office facilities. On 18 February 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed.

4. Report of the Directors

(2) Hunan Yunfeng Cement Co., Ltd.

In January 2014, the Company entered into an equity transfer agreement with the then shareholders of Hunan Yunfeng Cement Co., Ltd. (“Hunan Yunfeng”) in relation to the acquisition of 65% equity interests in Hunan Yunfeng.

The registered capital of Hunan Yunfeng is RMB93 million. Hunan Yunfeng, which is located in Longxi Town, Wugang City, Hunan Province, currently owns a 2,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 1.1 million tpa, and also a 4,500t/d new dry-processed clinker production line and a cement grinding system with a capacity of 2.2 million tpa which are under construction, as well as ancillary production, living and office facilities. On 21 February 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed.

(3) Shuicheng Conch Panjiang Cement Co., Ltd.

In March 2014, the Company entered into an equity transfer agreement with the then shareholders of Shuicheng Conch Panjiang Cement Co., Ltd. (“Shuicheng Conch”) in relation to the acquisition of 40% equity interests in Shuicheng Conch.

The registered capital of Shuicheng Conch is RMB507.6 million. Shuicheng Conch, which is located in Laoyingshan Town, Zhongshan District, Liupanshan City, Guizhou Province, currently owns two new dry-processed cement and clinker production lines each with a capacity of 2,500t/d and 3,200t/d, a cement grinding system with a capacity of 2.3 million tpa and ancillary production, living and office facilities. On 20 March 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed.

(4) Kunming Hongxi Cement Co., Ltd.

In May 2014, the Company entered into an equity transfer agreement with the then shareholders of Kunming Hongxi Cement Co., Ltd. (“Kunming Hongxi”) in relation to the acquisition of 80% equity interests in Kunming Hongxi.

The registered capital of Kunming Hongxi is US\$30.5067 million. Kunming Hongxi, which is located in Shilin County, Kunming City, Yunnan Province, currently owns a 2,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 1 million tpa and ancillary production, living and office facilities. On 23 May 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed.



4. Report of the Directors

(5) Goldsun Cement (Hunan) Co., Ltd.

In November 2014, the Company entered into an equity transfer agreement with the then shareholders of Goldsun Cement (Hunan) Co., Ltd. (“Goldsun Cement”) in relation to the acquisition of 80% equity interests in Goldsun Cement.

The registered capital of Goldsun Cement is US\$74.8 million. Goldsun Cement, which is located in Doulishan Town, Lianyuan Loudi City, Hunan Province, currently owns a 4,500t/d clinker production line, a cement grinding system with a capacity of 2.2 million tpa, a pure low-temperature residual heat power generator with a capacity of 9MW and approvals and certificates for construction of a 4,500t/d clinker production line. On 16 December 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed.

(6) Acquisition of 20% equity interests in Guangxi Sihe Industrial Trading Co., Ltd.

In October 2014, the Company acquired 20% equity interests in Guangxi Sihe Industrial Trading Co., Ltd. (a 80%-owned subsidiary of the Company, “Sihe Company”) owned by its then shareholders. Sihe Company is located in Longan County, Nanning City, Guangxi, with a registered capital of RMB120 million. On 17 October 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed, and the Company held its 100% equity interests.

3. Subsidiaries deregistered during the Reporting Period

In 2014, two subsidiaries of the Company, i.e. Nantong Jiuxugang Conch Cement Co., Ltd. and Baoji Conch Cement Co., Ltd., was deregistered, details of which were set out in Note 6(2) to the financial statements prepared in accordance with the PRC accounting standards.

4. Shareholdings in other listed companies and trading of shares of other listed companies

As approved and authorized by the Board, the Company utilized some of its own funds for making strategic investments in some PRC-listed companies in the cement industry with competitive strengths and growth potential. During the Reporting Period, the Company acquired 43,633,877 shares of Qingsong Building Materials and Chemicals and 51,635,757 shares of Jidong Cement for a total consideration of RMB563.01 million.

4. Report of the Directors

- (1) As at the end of the Reporting Period, the Group's shareholdings in other listed companies are set out as follows:

Stock code	Short name	Initial	Proportion of	Carrying	Profit/loss	Change in
		investment	equity interest	amount as at	recognized	equity interest
		amount	in the subject	the end of the	during the	during the
		(RMB)	company at the	Reporting Period	Reporting Period	Reporting Period
			end of the period	(RMB)	(RMB)	(RMB)
			(%)			
600318	Chaodong Cement	98,019,695	16.28	441,119,840	-	48,050,554
000401	Jidong Cement	3,078,562,162	19.84	3,494,275,440	-	1,269,269,395
600425	Qingsong Building Materials and Chemicals	2,214,674,968	28.17	2,159,946,251	-52,848,973	-52,848,973
Total		5,391,256,825	-	6,095,341,531	-52,848,973	1,264,470,976

Note: The shares held by the Group in Chaodong Cement and Jidong Cement were recognized in "Available-for-sale financial assets", while the shares in Qingsong Building Materials and Chemicals were recognized in "Long-term equity investments".

- (2) During the Reporting Period, the Group's trading of shares of other listed companies is set out as follows:

Stock code	Short name	Number		Amount	Number		Investment
		of shares	of shares		of shares	of shares	
		at the	during the	during the	during the	at the end	income
		beginning of	Reporting	Reporting	Reporting	of the	
		the period	Period	Period	Period	period	
		(shares)	(shares)	(RMB)	(shares)	(shares)	(RMB)
600802	Fujian Cement	6,259,790	1,064,388	5,889,147	7,324,178	-	1,046,134

Note: The shares held by the Company in Fujian Cement were recognized in "Financial assets at fair value through profit or loss".



4. Report of the Directors

5. Major investments not applying the Proceeds during the Reporting Period

During the Reporting Period, there was no major investment project with a total investment amount exceeding 10% of the unaudited net assets of the Company of the previous year. Details on the investment projects of the Company during the Reporting Period, please refer to the subparagraph headed “Operations” under the paragraph headed “Analysis of Operational Conditions” under Chapter Three “Management Discussion and Analysis” of this report.

6. Financial entrustment

To enhance the efficiency of capital utilization, the Board approved the Company to use RMB1 billion of its own capital for financial entrustment during the Reporting Period. On 27 February 2014, the Company subscribed for the trust plan launched by Northern International Trust Co., Ltd. with a term of 83 days and engaged Haitong Securities Company Limited as its investment advisor. On 22 May 2014, the Company received the full amount of principal for the trust plan of RMB1 billion and the net gain from the wealth management amounting to RMB11.6118 million, representing an annualized return rate of 5.1%.

7. Principal majority-owned subsidiaries and invested companies

As at 31 December 2014, the Company had 122 majority-owned subsidiaries, 4 jointly-controlled entities and 2 associated entities, details of which were set out in notes 19, 20 and 21 to the financial statements of the Company prepared in accordance with IFRS.

During the Reporting Period, there was no subsidiary or invested company in which the Company’s share of its net profit or investment income accounted for more than 10% of the net profit of the Company.

4. Report of the Directors

(2) PROFIT APPROPRIATION

1. Formulation and implementation of the Company's cash dividend policy

The Articles of Association of the Company provides that “the Company shall implement a proactive profit appropriation method, and its profit appropriation policy shall maintain continuity and stability. When distributing profit, the Company shall have regard to the importance of maintaining a reasonable return to investors as well as the sustainable development of the Company. The Company adopts cash dividend distribution as its main profit distribution policy, and the independent directors shall expressly give their opinion on the matters concerned. Cash dividends to be distributed by the Company for any financial year shall not be less than 10% of the total distributable profit of the same financial year. When the Board submits a cash dividend distribution proposal to the general meeting of shareholders, it shall proactively communicate with shareholders of the Company, in particular the minority shareholders.”

The Board of the Company has attached importance to the implementation of the cash dividend policy. In formulating the profit distribution proposal, the Board shall strictly follow the requirements of the Articles of Association of the Company, consult with the independent directors and sufficiently consider the opinion of and requests by the minority shareholders. The Board shall perform the consideration and approval procedures of general meetings and execute the profit distribution proposal in accordance with the resolution of general meetings.

During the Reporting Period, the Company executed the profit distribution proposal for the year 2013 which was approved at the 2013 annual general meeting of the Company. It was proposed that based on the total number of issued shares of 5,299,302,579 shares at the end of 2013, a cash dividend of RMB3.50 (tax inclusive) was paid to all the shareholders of the Company for every 10 shares held, totaling RMB1,854,755,902.65 (tax inclusive). As of 18 June 2014, the above dividend was paid to all the shareholders whose names were recorded in the register of members on the relevant record date. The announcement regarding the implementation of the aforesaid dividend distribution was published on 11 June 2014 (on the SSE website and Shanghai Securities Journal) and 10 June 2014 (on the websites of the Stock Exchange and the Company) respectively.

4. Report of the Directors

The profit appropriation plans or proposals and capitalization of capital reserve fund in the past three years (including the Reporting Period) are as follows:

Year	Capitalization of capital reserve fund for the year	Dividend for the year (RMB'000)	Cash dividend for the year to net profit attributable to equity shareholders of the Company
2012	/	1,324,826	21.10%
2013	/	1,854,756	19.77%
2014	/	3,444,547	31.33%

2. Profit appropriation proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group's profit after tax and minority interests for year 2014 amounted to RMB10,993.02 million and RMB10,980.92 million respectively. The Board proposed the appropriation of the profit for the year ended 31 December 2014 as follows:

- (1) Pursuant to the requirements of the Articles of the Company, the Company shall allocate 10% of its profit after tax to the statutory surplus reserve, provided that no allocation is required if the accumulated statutory surplus reserve exceeds 50% of the registered capital of the Company. As the statutory surplus reserve had reached 50% of the registered capital of the Company, no allocation was made for the year 2014.
- (2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2014, the payment of a final dividend of RMB0.65 per share (tax inclusive) is proposed, totaling RMB3,444.55 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2014.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2014.

4. Report of the Directors

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementation rules, and the Notice on Issues relating to Withholding and Payment of Corporate Income Tax by Chinese Resident Enterprise over Dividends Distributable to their Holders of H-Shares Who are Overseas Non-resident Enterprises (Guoshuihan No. 897 [2008]) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號) promulgated by the State Administration of Taxation on 6 November 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to nonresident enterprise shareholders whose names appear on the H Shares register of members of the Company.

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the relevant implementation rules, the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for individual holders of H Shares whose names appear on the H Shares register of members of the Company. Pursuant to the Notice on Issues relating to Collecting Individual Income Tax after the Document of Guoshuifa No.045 [1993] becomes Void (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the State Administration of Taxation and the letter entitled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued in Hong Kong by domestic non-foreign invested enterprises are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties entered into between the countries where they reside and China and the tax arrangements between the Mainland China and Hong Kong (Macau). According to the relevant provisions under the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》), the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H shares through Shanghai-Hong Kong Stock Connect. For Mainland securities investment funds investing in H shares through Shanghai-Hong Kong Stock Connect, individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves.

4. Report of the Directors

The Company shall determine the identity of individual holders of H Shares whose names appear on the H Shares register of members of the Company on 11 June 2015 (Thursday) based on their registered addresses. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H Shares or any disputes over the withholding mechanism or arrangements. The relevant arrangements are detailed as follows:

- (1) For individual holders of H Shares who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of dividend.
- (2) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares. If such individual holders of H Shares would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholders to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholders shall submit to the Company the information required under the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guoshuifa No.124 [2009]) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) on or before 18 June 2015. Upon examination and approval by the competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.
- (3) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual applicable tax rate stipulated in the relevant tax treaty on behalf of the individual holder of H shares.
- (4) For individual holders of H shares who are mainland individual investors investing in H shares through Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in accordance with the register of mainland individual investors provided by China Securities Depository and Clearing Company Limited. Individual investors who have paid the overseas withhold tax may apply to the competent tax authority under China Securities Depository and Clearing Company Limited for tax credit by presenting the effective tax withholding certificates.

4. Report of the Directors

(3) TAXATION

Details of taxation are set out in notes 8 and 36 to the financial statements prepared in accordance with the IFRS, and in note 4 “Taxation” and notes 19, 26, 42 and 51 under note 5 “Notes to Consolidated Financial Statements” to the financial statements prepared in accordance with the PRC Accounting Standards.

(4) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2014, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1.296 billion, representing 2.13% of the total sales amount of the Group; and the largest customer accounted for 0.54% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB6.422 billion, representing 15.95% of the total purchases amount of the Group; and the largest supplier accounted for 5.13% of the total purchases amount of the Group.

None of the Directors, Supervisors nor their respective associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2014. The major raw materials and energy used by the Company are denominated in RMB.

(5) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and equipment of the Company for the year ended 31 December 2014 were set out in notes 14, 15 and 16 to the financial statements prepared in accordance with the IFRS.

(6) TOTAL ASSETS

As at 31 December 2014, the Group’s total assets as determined in accordance with the IFRS amounted to approximately RMB102.3 billion, representing an increase of approximately RMB9.2 billion over that of last year.

4. Report of the Directors

(7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2014 were set out in the consolidated statement of changes in equity and note 39 to the financial statements prepared in accordance with the IFRS.

(8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2014 were set out in notes 33, 34 and 35 to the financial statements prepared in accordance with the IFRS. The Group's deposits as at 31 December 2014 were placed with reputable commercial banks. The Group has no entrusted deposits or term deposits which cannot be withdrawn upon expiry. During the Reporting Period, interest capitalized in respect of construction-in-progress amounted to RMB46.42 million, details of which were set out in note 7 to the financial statements prepared in accordance with the IFRS.

(9) EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Reporting Period, the equipments, fire-resistant tiles and spare parts imported by the Group were mainly settled in US dollars, while cement and clinker and equipments for export were usually settled in Renminbi or US dollars. Any change in the exchange rates of such foreign currencies against RMB will directly affect the procurement costs and the export sales revenues of the Group.

To transfer and mitigate foreign exchange risk, the Group adjusted its operation strategy for foreign exchange risk on a timely basis, i.e. from a centralized operation to adopting a monthly dynamic operating approach, and adopted forward products to fix the exchange rate in advance for some US dollars proceeds to be received based on the import and export plan and foreign exchange payment arrangements of the year, so as to diversify the risk arising from fluctuation of the exchange rate.

(10) PERFORMANCE OF SOCIAL RESPONSIBILITY

The Company has prepared the 2014 Social Responsibility Report, which was published on the websites of the SSE, the Stock Exchange and the Company concurrently with this annual report.



5. Significant Events

(1) MATERIAL LITIGATION, ARBITRATION AND NEGATIVE MEDIA INQUIRY

During the Reporting Period, the Group was not involved in any material litigation, arbitration or negative media inquiry.

(2) APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSE

During the Reporting Period, there was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder of the Company and its related parties. A detailed explanation issued by KPMG Huazhen Certified Public Accountants was published on the SSE website, the website of the Stock Exchange and the Company's website concurrently with the annual report.

(3) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

During the Reporting Period, there was no event regarding insolvency or restructuring of the Group.

(4) ACQUISITIONS AND DISPOSALS OF MATERIAL ASSETS

During the Reporting Period, the Group did not acquire or dispose of any material asset.

(5) STOCK OPTION INCENTIVE SCHEME

During the Reporting Period, the Group did not implement any stock option incentive scheme.

5. Significant Events

(6) MATERIAL CONNECTED (OR RELATED PARTY) TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected (or related party) transactions under the SSE Listing Rules and the HKSE Listing Rules:

1. Connected transactions or continuing connected transactions related to daily operations

(1) Use of trademarks

On 23 September 1997, the Company and Conch Holdings, being its controlling shareholder, entered into a trademark licensing agreement (“Trademark Licensing Agreement”), pursuant to which the Company has been granted a license to use certain permitted trademarks (including trademarks of “海螺” and “CONCH”) on permitted products in permitted regions for the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the Trademark Licensing Agreement in respect of the trademarks is agreed to be extended automatically. Under the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to Conch Holdings.

During the Reporting Period, the Group had paid the above licence fee being an amount of RMB1.513 million to Conch Holdings. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders’ approval requirement.

(2) Transaction with Sanshan Port – procurement of diesel oil

On 29 April 2014, as approved by the Board, the Company and Sanshan Port entered into a naphtha supply contract, pursuant to which Sanshan Port will supply to the Company’s subsidiaries located in Anhui Province with diesel oil needed for production, with the purchase price of no more than RMB205 million and the validity period from 29 April 2014 to 31 March 2015.

5. Significant Events

Under the SSE Listing Rules and the relevant regulations of CSRC, as Conch Venture holds 5.41% of the Company's shares, it is regarded as a connected person of the Group, and as Sanshan Port is a majority-owned subsidiary of Conch Venture and thus a person acting in concert with Conch Venture, Sanshan Port is also regarded as a connected person of the Group. In addition, as Mr. Wang Jun, a supervisor of the Company, also serves as the chairman of Sanshan Port (Mr. Wang Jun ceased to be the chairman of Sanshan Port with effect from 11 July 2014), Sanshan Port is a connected person of the Group. Accordingly, the above transaction constituted a connected transaction under the SSE Listing Rules. In accordance with the HKSE Listing Rules, Sanshan Port is not regarded as a connected person of the Group, thus the above transaction did not constitute a connected transaction under the HKSE Listing Rules.

The clinker bases of the Company located along the Yangtze River in Anhui Province also procured part of diesel oil from Sanshan Port, which will facilitate the expansion of the diesel oil procurement channels of the Company and enhance the bargaining power in price negotiation, so as to ensure the diesel oil supply of the Company and lower the procurement costs.

Due to several market factors, the diesel oil market changes more quickly and the diesel oil price fluctuates frequently, therefore the Company purchased diesel oil from Sanshan Port at prices which will be adjusted in line with the market conditions mainly based on the governmental guidance prices for the month and with appropriate discounts, provided that the monthly settlement price shall not be higher than the purchase price offered to similar subsidiaries of the Company by independent third-party suppliers. Payment would be settled on a monthly basis.

During the Reporting Period, the Group procured diesel oil from Sanshan Port for an amount of RMB121.32 million.



5. Significant Events

(3) Transaction with Sanshan Port –procurement of coal

On 29 April 2014, as approved by the Board, the Company entered into a coal sale and purchase contract with Sanshan Port, pursuant to which the Company will procure coal from Sanshan Port, with the purchase prices of no more than RMB72 million and the validity period commencing from 29 April 2014 and expiring on 31 December 2014.

With a storage capacity of 300 thousand tonnes, Sanshan Port can cater for the needs of storing up different coal separately and mix different type of coal in different proportions so as to meet the coal demand of our clinker bases located along the Yangtze River in Anhui Province. Sanshan Port also owns some direct shipping resources from the ocean to the Yangtze River, which can deliver shipments of coal to the wharves of our subsidiaries along the Yangtze River directly from the ocean, thus reducing loss and shrinkage from transit. The Company intends to take advantage of the above comprehensive advantages of Sanshan Port to expand the coal procurement channels and reduce the procurement costs.

As the coal price fluctuated in response to market changes, the purchase prices were mainly determined based on the quality of the coal (i.e. calorific value) with reference to the prevailing market prices, provided that such prices shall not be higher than the prices offered to the Company by independent third parties for the same type of coal in the same period. Payment would be settled on cargo-by-cargo basis, i.e. payment for each cargo of goods would be made upon delivery.

During the Reporting Period, the Group purchased coal from Sanshan Port for an amount of RMB5.76 million.

(4) Transaction with Sanshan Port – Sale of commodity clinker

On 29 April 2014, as approved by the Board, the Company entered into a clinker sale and purchase contract with Sanshan Port, with the selling price of no more than RMB150 million and the validity period commencing from 29 April 2014 and expiring on 31 December 2014.

Sanshan Port has plenty of storage space and abundant client resources. The Company sold commodity clinkers to Sanshan Port for the purpose of making full use of the above-mentioned advantages of Sanshan Port to relieve the pressure on the relevant subsidiaries of the Company to keep the balance between production and sale, so as to make the best use of our production capacity of clinker and reduce production costs.

5. Significant Events

The price at which the Company sold clinker to Sanshan Port was determined mainly based on the market prices for the same period and adjusted in line with the market price fluctuations for the whole year, with reference to the selling prices and policies offered to the similar independent third-party customers in the same region by the affiliated factories of the Company for the same period. Payment would be advanced prior to delivery.

During the Reporting Period, for the performance of the abovementioned clinker sale and purchase contract, the Group sold commodity clinker to Sanshan Port for an amount of RMB10.87 million.

(5) Transaction with Haichang Port – coal transfer services

On 29 April 2014, as approved by the Board, Shanghai Conch Logistic Co., Ltd. (a wholly-owned subsidiary of the Company) and Haichang Port entered into a port operation contract, pursuant to which Haichang Port will provide coal transfer services to the subsidiaries of the Company located along the Yangtze River, with the contract sum of RMB58 million and the validity period commencing from 29 April 2014 and expiring on 31 March 2015.

Under the SSE Listing Rules, as Mr. Guo Jingbin (a former executive Director of the Company, who was re-designated as a non-executive Director of the Company on 20 June 2014) serves as the chairman of CCVH, therefore CCVH is regarded as a connected person of the Group. As Haichang Port is a majority-owned subsidiary of CCVH and thus a person acting in concert with CCVH, Haichang Port is also regarded as a connected person of the Group. Accordingly, the above transaction constituted a connected transaction. In addition, as Mr. Wang Jianchao, the general manager of the Company, also serves as the chairman of Haichang Port (Mr. Wang Jianchao ceased to be the chairman of Haichang Port on 15 January 2015), Haichang Port is a connected person of the Group. In accordance with the HKSE Listing Rules, Haichang Port is not regarded as a connected person of the Group, so the above transaction did not constitute a connected transaction.

In selecting ports to provide transfer services, the Group focuses on factors such as storage condition, operation capacity and operating standardization. The Group decided to cooperate with Haichang Port due to its outstanding comprehensive advantages in centralized management of its staff, enclosed workplace and relatively simple user base, which can effectively prevent mix-up of commodities in and out of the port and ensure safety of the cargo.

5. Significant Events

The fees charged by Haichang Port for its coal transfer services provided to the Group were determined mainly with reference to the prevailing market prices and the fees charged by other ports which were independent third parties for the same kind of services provided to the Group, provided that such fees charged by Haichang Port shall not be higher than the prices offered by independent third-party ports to the Group. Payment would be settled in respect of each vessel of coals within 30 days after the coals are transferred.

During the Reporting Period, the Group has taken the coal transfer services of Haichang Port for an amount of RMB51.75 million.

For further details regarding the connected transactions as set out in items (2) to (5) above, please refer to the Company's announcement dated 29 April 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 30 April 2014 and published on the SSE website and Shanghai Securities Journal. The continuing connected transactions as set out in items (2) to (5) above are not subject to the independent shareholders' approval requirements.

(6) Transactions with Longshan Cement – procurement of clinker

On 28 May 2013, as approved by the Board, each of Jiangmen Conch and Foshan Conch entered into a supplemental contract with Longshan Cement to make adjustments to the procurement quantity of clinker and transaction amounts for the years of 2013 and 2014 as prescribed under the cement and clinker sale and purchase contract dated 15 May 2012. The annual transaction cap of clinker to be procured by Jiangmen Conch from Longshan Cement for each of 2013 and 2014 was adjusted to RMB171 million, while the annual transaction cap of clinker to be procured by Foshan Conch from Longshan Cement for each of 2013 and 2014 was adjusted to RMB142.5 million.

Longshan Cement is a wholly-owned subsidiary of Prosperity Cement Investment Limited ("Prosperity Cement"). Each of Longshan Cement and Prosperity Cement is an associate of Prosperity Minerals (International) Limited ("Prosperity Minerals"), as Longshan Cement, Prosperity Cement and Prosperity Minerals are fellow subsidiaries of Upper Value Investments Limited (a company incorporated under the laws of British Virgin Islands, and a wholly-owned subsidiary of TCC International Holdings Limited). Prosperity Minerals is a substantial shareholder of Prosperity Conch (a non wholly-owned subsidiary of the Company, of which 75% equity interest is held by the Company) by virtue of holding its 25% equity interest.

5. Significant Events

Accordingly, under the HKSE Listing Rules, Longshan Cement is a connected person of the Company and the above-mentioned transactions constitute continuing connected transactions of the Company (In accordance with the amendments to the relevant provisions of the Listing Rules made by the Stock Exchange, Longshan Cement ceased to be a connected person of the Group under the HKSE Listing Rules with effect from 1 July 2014). Under the SSE Listing Rules, as Mr. Wu Jianping (a former executive Director of the Company who ceased to be the executive Director of the Company with effect from 28 May 2013) serves as a director and general manager of Longshan Cement (who had resigned as general manager of Longshan Cement on 18 October 2012 and resigned as the director of Longshan Cement on 23 May 2013), Longshan Cement is a connected person of the Group. Accordingly, the above transactions also constitute connected transactions of the Company (Longshan Cement ceased to be a connected person of the Group under the SSE Listing Rules with effect from 28 May 2014).

During the Reporting Period, Jiangmen Conch and Foshan Conch mainly considered the cost, product quality, market demand and the price of similar products offered by other third parties in the same area when determining whether they would procure clinker from Longshan Cement or other independent suppliers. The purchase prices would be settled on a monthly basis.

During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB94.18 million, which did not exceed the annual transaction cap of RMB171 million as prescribed under the said supplemental contract; and Foshan Conch procured clinker from Longshan Cement for an amount of RMB91.02 million, which did not exceed the annual transaction cap of RMB142.5 million as prescribed under the said supplemental contract.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements



5. Significant Events

- (7) Transactions with Longshan Cement – mutual procurement of spare parts and production ancillary materials

On 15 May 2012, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a spare parts and production ancillary materials procurement contract in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement, for a purchase price of not more than RMB20.5 million per annum. The term of the said contract commenced from 15 May 2012 and expired on 31 December 2014.

The prices of spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were based on the prices at which they may procure from their other suppliers. The purchase prices for spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were settled by their own funds on a monthly basis.

During the Reporting Period, Prosperity Conch and Longshan Cement mutually procured spare parts and production ancillary materials at an amount of RMB8.73 million, which did not exceed such cap as prescribed under the said spare parts and production ancillary materials procurement contract.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 16 May 2012 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

- (8) Transaction with Longshan Cement – mutual procurement of limestone

On 28 May 2013, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a limestone procurement contract in relation to the mutual procurement of limestone between Prosperity Conch and Longshan Cement. The term of the said contract commenced from 1 June 2013 and expired on 31 December 2014. The transaction caps for the mutual procurement of limestone between both parties for the years of 2013 and 2014 were expected to be RMB49.75 million and RMB81.6 million respectively.

5. Significant Events

The prices of limestone mutually procured between both parties were determined after taking consideration of several factors such as the quality and grades of limestone offered by other suppliers as well as the production costs and relevant tax incurred by each other. The purchase prices were settled on a monthly basis.

During the Reporting Period, the transaction amount of mutual procurement of limestone between Prosperity Conch and Longshan Cement amounted to RMB27.34 million.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

(9) Transaction with Longshan Cement – sale of fire-resistant tiles

On 28 May 2013, as approved by the Board, Refractory Material (a subsidiary of the Company) and Longshan Cement entered into a sale and purchase contract in relation to the sale of fire-resistant tiles to Longshan Cement. The term of the said contract commenced from 28 May 2013 and expired on 31 December 2014. Pursuant to the sale and purchase contract, the quantity of the fire-resistant tiles to be procured by Longshan Cement from Refractory Material will be 1,500 tonnes per annum with an expected annual purchase price of not more than RMB8 million, provided that the final transaction volume and settlement payment will be based on the actual take-up by Longshan Cement.

The selling price of the fire-resistant tiles was determined through negotiations between the parties in accordance with market principles, provided that such price shall not be lower than that offered by Refractory Material to the subsidiaries of the Company located in Guangdong Province. The payment would be settled on cargo-by-cargo basis, i.e. payment for each cargo of goods was made upon delivery.

During the Reporting Period, Refractory Material sold fire-resistant tiles to Longshan Cement for an amount of RMB1.46 million.

5. Significant Events

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

2. Residual heat electricity generation projects

On 28 February 2014, as approved by the Board, the Company and Conch Kawasaki Engineering entered into an equipment supply and design contract, pursuant to which Conch Kawasaki Engineering had agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects to seven subsidiaries of the Company. The aggregate contract sum amounted to RMB236.85 million. The aforesaid seven subsidiaries would enter into individual contracts with Conch Kawasaki Engineering, the major terms of which shall be in line with those of the equipment supply and design contract and the aggregate contract sum shall not exceed RMB236.85 million.

Conch Kawasaki Engineering is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. Guo Jingbin (a former executive Director of the Company who was re-designated as a non-executive Director of the Company on 20 June 2014) serves as the chairman of CCVH, and Conch Kawasaki Engineering was a majority-owned subsidiary of CCVH, under the SSE Listing Rules, Conch Kawasaki Engineering is regarded as a connected person of the Company. As such, the above transaction constituted a connected transaction of the Company under the SSE Listing Rules. The above transaction did not constitute a connected transaction of the Company under the HKSE Listing Rules.

Kawasaki Heavy Industries Ltd. ("Kawasaki Heavy Industries") possesses internationally advanced residual heat electricity generation technology. Conch Kawasaki Engineering has been granted the right to use such residual heat electricity generation technology of Kawasaki Heavy Industries. Conch Kawasaki Engineering is currently one of the major suppliers of residual heat electricity in the PRC market.

The price as stipulated in the aforesaid equipment supply and design contract was mainly determined through negotiations between the parties based on the scale of such projects, various technical specifications, the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.

5. Significant Events

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the Group had paid the relevant equipment price and design fee totaling RMB145.50 million to Conch Kawasaki Engineering. In connection with the performance of other similar contracts entered into in previous years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB393.67 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

3. Purchase of milling equipment

On 28 February 2014, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a sales and purchase contract on CK milling equipment, pursuant to which the Company agreed to purchase 5 sets of CK raw material milling equipments from Conch Kawasaki Energy Conservation, which would be installed at the cement and clinker production lines of five subsidiaries of the Company. The total contract sum was RMB110 million. The aforesaid five subsidiaries would enter into individual contracts with Conch Kawasaki Energy Conservation, the major terms of which shall be in line with those of the sales and purchase contract on CK milling equipment and the aggregate contract sum shall not exceed RMB110 million.

Conch Kawasaki Energy Conservation is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. Guo Jingbin (a former executive Director of the Company who was re-designated as a non-executive Director of the Company on 20 June 2014) serves as the chairman of CCVH, and Conch Kawasaki Energy Conservation is a majority-owned subsidiary of CCVH, under the SSE Listing Rules, Conch Kawasaki Energy Conservation is regarded as a connected person of the Group. As such, the transactions entered into with the Group constituted connected transactions. The above transactions did not constitute connected transactions under the HKSE Listing Rules.

5. Significant Events

Kawasaki Heavy Industries possesses internationally advanced technology on the design and manufacturing of CK milling equipments. Kawasaki Heavy Industries has a wide product market coverage and its products are well-recognized by its customers. Conch Kawasaki Energy Conservation has been granted the right to use such technology of Kawasaki Heavy Industries on the design and manufacturing of CK milling equipments. The Group has built good cooperation relationship with Conch Kawasaki Energy Conservation. The functioning of the milling equipment provided by Conch Kawasaki Energy Conservation to the Group is reliable, easy to be maintained, efficient and energy-saving. The purchase price of the milling equipment to be purchased from Conch Kawasaki Energy Conservation is lower than that of the milling equipment purchased from overseas suppliers. Further, the procurement period is shorter than that of the imported milling equipment.

The price stipulated in the aforesaid sales and purchase contract on CK milling equipment was determined through negotiations between the parties on the basis of the costs of the equipment and the prevailing market prices of such equipment, and also with reference to the fees charged by Conch Kawasaki Energy Conservation against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers.

During the Reporting Period, for the performance of the above-mentioned sales and purchase contract on CK milling equipment (and only such contract), the Group had paid the relevant equipment price to Conch Kawasaki Energy Conservation totaling RMB88 million. In connection with the performance of other similar contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation during the Reporting Period amounted to RMB212 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

5. Significant Events

4. Maintenance of anti-wearing parts of equipments and procurement of spare parts

On 28 February 2014, as approved by the Board of the Company, the Company and Conch Kawasaki Energy Conservation entered into a contract on maintenance of anti-wearing parts and procurement of spare parts, pursuant to which Conch Kawasaki Energy Conservation would provide maintenance services such as surfacing welding on the anti-wearing parts of main units of cement and clinker production lines for the subsidiaries of the Company, and the Company would procure milling equipments, boilers and other equipments as needed from Conch Kawasaki Energy Conservation. The total contract sum was RMB98.4 million. The subsidiaries of the Company would enter into individual contracts with Conch Kawasaki Energy Conservation as required prior to the transactions, the major terms of which shall be in line with those of the contract on maintenance of anti-wearing parts and procurement of spare parts and the aggregate contract sum shall not exceed RMB98.4 million.

In order to ensure smooth operation of the cement and clinker production lines, the Group conducted professional maintenance and repair for the anti-wearing parts of main units of raw material and cement milling equipments and replaced the anti-wearing parts and spare parts as necessary during the course of daily operation. Conch Kawasaki Energy Conservation is the major supplier of milling equipments in the PRC, and is also the long term supplier of milling equipments of the Group, with its business covering surfacing welding and repair of the anti-wearing parts, repair of CK grinding rolls, online welding, repair of squeeze rollers, sales of anti-wearing plate and sales of spare parts for milling equipments. It provides surface welding on the anti-wearing parts for many domestic cement companies and has strong advantage in terms of service quality and market reputation. Therefore, the Group chose Conch Kawasaki Energy Conservation to provide such services and the relevant spare parts to the Group.

As stipulated in the contract on maintenance of anti-wearing parts and procurement of spare parts, the maintenance cost (including surfacing welding) of anti-wearing parts was determined through negotiations between the parties mainly based on costs (including welding wire, ancillary materials, utilities, replacement of parts, etc) and prevailing market prices; the cost of spare parts was determined through negotiations between the parties with reference to the prevailing market prices and provision of certain discounts for the Group, provided that the aforesaid service and spare parts costs shall not be higher than those offered by Conch Kawasaki Energy Conservation to other independent third-party customers. Pursuant to the contract on maintenance of anti-wearing parts and procurement of spare parts, payment for the transactions shall be settled in accordance with the provisions of the relevant individual contracts. The relevant subsidiaries shall carry out onsite inspection on quality of the products provided by Conch Kawasaki Energy Conservation and shall settle all the transaction amount within one month after delivery of products or provision of services.

5. Significant Events

During the Reporting Period, for the performance of the above-mentioned contract on maintenance of anti-wearing parts and procurement of spare parts (and only such contract), the transaction amount paid by the Group to Conch Kawasaki Energy Conservation was RMB95.54 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

5. Urban domestic waste incineration project with the use of cement kilns

On 28 February 2014, as approved by the Board, Chongqing Conch (the wholly-owned subsidiary of the Company) and Conch Venture Property entered into a master contractor contract regarding the comprehensive treatment of domestic waste and environmental protection in the Three Gorges Dam area by Chongqing Conch ("master contractor contract"), pursuant to which Conch Venture Property would provide engineering design, equipments provision and construction (land construction and installing), testing and other services for the waste treatment project of Chongqing Conch. The total contract sum was RMB86 million.

Under the SSE Listing Rules, as Mr. Guo Jingbin (a former executive Director of the Company, who was re-designated as a non-executive Director of the Company on 20 June 2014) serves as the chairman of Conch Venture Property, therefore Conch Venture Property is regarded as a connected person of the Group. Accordingly, the transactions entered into with the Group constituted a connected transaction. The above transaction did not constitute a connected transaction under the HKSE Listing Rules.

Conch Kawasaki Engineering, the subsidiary of Conch Venture Property, possesses the domestic waste treatment technology with the use of cement kilns, which solves the problem of the traditional waste treatment method that takes up large area of lands and results in environment pollution, effectively reducing degradation of PCCD/Fs and achieving the target of "minimization, resourcefulization and detoxification" for waste treatment. Two demonstration projects were successfully implemented in Tongling Conch and Guiding Conch (both subsidiaries of the Group), which have been running well.

5. Significant Events

The contract amount included fees and costs for engineering design, equipments and construction, of which design fee was determined through negotiations between the parties with reference to project scale, technical indicators and prevailing market prices, provided that such prices shall not be higher than that offered to the independent third-party customers; equipment price was the effective cost plus reasonable premium; construction cost was engineering cost plus reasonable management fee. As an important customer of Conch Venture Property, the Group was granted certain discounts on price. Pursuant to the contract, the design fee, equipment price and construction cost for the waste treatment project of Chongqing Conch shall be paid by installments according to construction progress.

During the Reporting Period, for the performance of the above-mentioned master contractor contract (and only such contract), the transaction amount paid by the Group to Conch Venture Property was RMB81.73 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

6. Design of cement and clinker engineering projects

On 29 April 2014, as approved by the Board, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design would provide engineering design service for the cement clinker production lines and grinding mill projects to be constructed by relevant subsidiaries of the Company, and Anhui Conch Information Technology Engineering Co., Ltd. (a wholly-owned subsidiary of Conch Design) would provide application software and service on production control system for relevant subsidiaries of the Company. The total contract sum was RMB76.52 million.

As at 29 April 2014, Conch Holdings, being the controlling shareholder of the Company, held 36.20% of the Company's total issued shares, and thus it is regarded as a connected person of the Company. Conch Design is a wholly-owned subsidiary of Conch Holdings and thus an associate of Conch Holdings, under the HKSE Listing Rules, Conch Design is regarded as a connected person of the Company. Accordingly, the transactions entered into with the Group constituted connected transactions. Under the SSE Listing Rules, Conch Design is a connected person of the Company and, accordingly, the transactions entered into with the Group constituted connected transactions.

5. Significant Events

Conch Design has extensive experience in building material design and cement technology development, with a Grade A qualification in the relevant industry. The project under the design and technical service contract involves provision of design and technical modification services to the cement and commodity clinker production lines, while the Group is mainly engaged in production of cement and commodity clinkers.

The contract price was determined by the parties after arm's length negotiation with reference to the Fee Scale for Project Inspection and Design promulgated by the National Development and Reform Commission and the Ministry of Construction in 2002, and based on the project scale, investment amount, design scope, technical indicators and the prevailing market prices. The design fee would be settled according to project progress.

During the Reporting Period, for the performance of the above design and technical service contract (and only such contract), the transaction amount paid by the Group to Conch Design amounted to RMB22.17 million. Taking into account relevant contracts entered into in previous years, the aggregate transaction amount paid by the Group to Conch Design during the Reporting Period amounted to RMB33.25 million.

For further details, please refer to the Company's announcement dated 29 April 2014 and published on the website of the Stock Exchange, SSE website, and the website of the Company. Such connected transactions are not subject to the independent shareholders' approval requirements.

Confirmation by independent non-executive Directors on connected (or related party) transactions

During the Reporting Period, the Group's connected (or related party) transactions arose in the ordinary and usual course of business, and were entered into on normal commercial terms and at arm's length basis pursuant to the terms of the agreements (if any). As far as the Company is concerned, such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole, and did not exceed the transaction caps (if any) disclosed in the previous announcements. All the continuing connected transactions as stated above were reviewed and confirmed by the independent non-executive Directors.

5. Significant Events

In respect of the continuing connected (or related party) transactions disclosed above (the “Transactions”), KPMG Certified Public Accountants has taken the necessary procedures and issued a letter to the Board, stating that: (1) they were not aware that the Transactions were not approved by the Board; (2) they were not aware of any matter which would make them believe that the Transactions were not in line with the pricing policies of the Group in any material aspect in connection with the Transactions relating to the provision of commodities and services by the Group; (3) they were not aware of any matter which would make them believe that the Transactions did not comply with the terms of the agreements governing the Transactions in any material aspect; (4) they were not aware of any matter which would make them believe that the annual accumulated amount of each of the Transactions, in aggregate, would exceed the annual cap of aggregate value of such transactions that the Company had disclosed in the relevant announcements.

(7) MATERIAL CONTRACTS

- 1. The Company was not involved in any material entrustment, contracting or leasing of assets of other companies, nor were any other companies involved in any entrustment, contracting or leasing of assets of the Company during the Reporting Period or during the previous periods but subsisting in the Reporting Period.**

- 2. Guarantees**

During the Reporting Period, the external guarantees provided by the Company related to bank loans of its majority-owned subsidiaries, and all the guarantees were approved by the Board of the Company. During the Reporting Period, the guarantees provided by the Company amounted to RMB272.38 million, all being guarantees for collateral liabilities, the details of which are as follows:

5. Significant Events

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
1	Zunyi Conch	50%	25,000	two years	2014.03.31	working capital	Shanghai Pudong Development Bank, Wuhu Branch
2	Zunyi Conch	50%	50,000	two years	2014.09.19	working capital	Shanghai Pudong Development Bank, Wuhu Branch
3	Guiding Conch	50%	25,000	one year	2014.02.21	working capital	Agricultural Bank of China, Guiding Branch
4	Guiding Conch	50%	30,000	one year	2014.06.20	working capital	Agricultural Bank of China, Guiding Branch
5	Guiding Conch	50%	20,000	one year	2014.09.10	working capital	Agricultural Bank of China, Guiding Branch
6	Kalimantan Conch	71.25%	US\$20 million (122,380)	six months	2014.12.17	working capital	Bank of America, Jakarta Branch
	Total		272,380	-	-	-	-

Notes:

- (1) The Company provided guarantees for loans granted to Zunyi Conch and Guiding Conch on a pro rata basis in accordance with its shareholding proportion;
- (2) The Company provided full guarantee for the loans of Kalimantan Conch in an amount of US\$20 million, and Changxing Materials (International) Co., Ltd. (a shareholder holding 25% interests in Indonesia Conch and a total of 28.75% interests in Kalimantan Conch) provided counter-guarantee to the Company for these loans on a pro rata basis in accordance with its shareholding proportion. The RMB-denominated guarantee provided by the Company for the loans of Kalimantan Conch in an amount of US\$20 million was translated at the exchange rate of the US Dollar against Renminbi on 31 December 2014.

5. Significant Events

As at 31 December 2014, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB3,003.25 million and US\$45 million (in total equivalent to RMB3,278.61 million, of which the USD-denominated guarantee balance was translated at the exchange rate of the US Dollar against Renminbi on 31 December 2014), in total representing 5.26% of the net assets of the Company.

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals. The balance of guarantees provided by the Company for its majority-owned subsidiaries with a gearing ratio of over 70% was zero. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's net assets as shown in its latest audited financial statements.

As at 31 December 2014, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd. (being branch company of the Company) pledged their assets with a book value of approximately RMB474 million to International Finance Corporation as security for their long-term loan due within one year in the sum of RMB650 million.

During the Reporting Period, the Group acquired Kunming Hongxi and took over its assets with a book value of approximately RMB110.82 million which was pledged as security for its borrowings of RMB70 million from a financial institution. As at the end of the Reporting Period, the pledge on the aforesaid asset has been released. The Group acquired Hunan Yunfeng and took over its assets with a book value of approximately RMB141.54 million which was pledged as security for its borrowings of RMB23 million from a financial institution and for the issue of bank acceptance notes with a principal amount of RMB118.5 million. As at the end of the Reporting Period, the pledge on the aforesaid asset has been released.

As at 31 December 2014, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

5. Significant Events

3. Commitments

- (1) Commitment by shareholders: In 2007, the Company issued A Shares to Conch Venture as consideration for the purchase of the relevant assets of Conch Venture. Conch Venture has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: Except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), Conch Venture will forgo its other shareholder's rights of the Company such as rights to vote, nominate and elect Directors/Supervisors of the Company, so long as it holds the Company's shares. During the Reporting Period, Conch Venture has complied with the above undertakings.
- (2) Commitment by controlling shareholders: In November 2013, Conch Design, a wholly-owned subsidiary of Conch Holdings (the controlling shareholder of the Company), acquired A Shares of the Company through the clearing system of SSE. Conch Holdings has made the following undertakings in relation to these shares: Conch Holdings would not sell any share it held in the Company whilst implementing the plan on increasing shareholding (12 months) and within the statutory period. Conch Holdings has complied with the above undertakings during the Reporting Period. As of December 2014, the commitment was performed.

(8) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the annual general meeting for year 2013, the Company engaged KPMG Huazhen Certified Public Accountants (special general partnership) and KPMG Certified Public Accountants (collectively "KPMG") as the PRC auditors and the international auditors of the Company for the year ended 31 December 2014, respectively, and engaged KPMG Huazhen Certified Public Accountants (special general partnership) as the internal control auditor of the Company for the year of 2014. The financial audit and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2014 amounted to RMB4.4 million and RMB0.6 million respectively, totaling RMB5 million. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for field audit.

5. Significant Events

KPMG was first appointed as the auditors of the Company for the year ended 31 December 2006 and has provided audit services for the Company for nine consecutive years. In accordance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) of the CSRC and the Ministry of Finance of the PRC, KPMG has rotated the endorsing accountant.

(9) PENALTIES AND REMEDIES IN RELATION TO THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, controlling shareholder and de facto controller were subject to any penalties by the relevant authorities.

6. Changes in Shares and Shareholders

(1) THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE OF THE COMPANY DURING THE REPORTING PERIOD.

(Unit: Share)

Class of shares	Before change		Increase/decrease(+,-)			After change	
	Number	Percentage (%)	Issue of new shares	Transfer from capital reserve	Subtotal	Number	Percentage (%)
(1) Shares subject to trading							
restrictions	-	-	-	-	-	-	-
1. State-owned legal person shares	-	-	-	-	-	-	-
2. Other domestic shares	-	-	-	-	-	-	-
(2) Shares not subject to trading							
restrictions	5,299,302,579	100	-	-	-	5,299,302,579	100
1. RMB-denominated ordinary shares (i.e. A Shares)	3,999,702,579	75.48	-	-	-	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	1,299,600,000	24.52	-	-	-	1,299,600,000	24.52
(3) Total number of shares	5,299,302,579	100	-	-	-	5,299,302,579	100

(2) ISSUANCE AND LISTING OF SECURITIES FOR THE PRECEDING THREE YEARS

On 30 October 2012, CSRC (by Zheng Jian Xu Ke (證監許可) [2012] No.1401 “Reply on examining and approving public issuance of corporate bonds by Anhui Conch Cement Company Limited”) gave approval to the Company for its issue of corporate bonds in an aggregate principal amount of no more than RMB6 billion to the public. As of 9 November 2012, the Company completed all the steps for the issuance of such corporate bonds. The total principal amount of the corporate bonds issued was RMB6 billion, of which the aggregate principal amount of the 5-year bonds with a coupon rate of 4.89% was RMB2.5 billion, while that of the 10-year bonds with a coupon rate of 5.10% amounted to RMB3.5 billion, with the option of increasing coupon rate for the issuer and the sell-back options for the investors to be attached at the end of the seventh year. Net proceeds raised from this issuance, after deduction of related expenses, amounted to RMB5,995.24 million. On 4 December 2012, these corporate bonds of the Company began trading on the SSE. The securities abbreviation for the 5-year bonds is “12 Conch 01” with stock code “122202”; while the securities abbreviation for the 10-year bonds is “12 Conch 02” with stock code “122203”.

6. Changes in Shares and Shareholders

(3) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2014

	A Share/RMB	H Share/HK\$
Opening price on the first trading day of the year	16.91	29.20
Closing price on the last trading day of the year	22.08	29.05
Highest trading price during the year	22.80	35.70
Lowest trading price during the year	14.18	24.00

(4) SHAREHOLDERS

- As at 31 December 2014, the total number of registered shareholders was 111,372, of which 120 were registered holders of H Shares. As at the end of the fifth trading date prior to the date of this report (i.e. 17 March 2015), the total number of registered holders of A Shares was 113,029.
- As at 31 December 2014, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1	Conch Holdings ^(Note 2)	State-owned legal person	1,948,869,927	36.78	A Share
2	HKSCC Nominees Limited ^(Note 3)	Foreign legal person	1,297,865,778	24.49	H Share
3	Conch Venture ^(Note 4)	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4	HKSCC Nominees Limited ^(Note 3)	Foreign legal person	88,166,778	1.66	A Share
5	Genesis Asset Managers, LLP – Customer Funds	Others	45,100,917	0.85	A Share
6	Credit Suisse (Hong Kong) Limited	Others	34,042,741	0.64	A Share
7	GIC PRIVATE LIMITED	Others	31,198,785	0.59	A Share

6. Changes in Shares and Shareholders

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
8	Ping An Trust Co., Ltd.- Conch Equity Interest	Domestic non-state- owned legal person	29,873,600	0.56	A Share
9	MERRILL LYNCH INTERNATIONAL	Others	27,790,813	0.52	A Share
10	Guoyuan Securities (HK) Co., Ltd.- Guoyuan RMB Stable Income Fund	Others	26,765,636	0.51	A Share

Notes:

- (1) All the above shares are floating shares not subject to trading restrictions.
- (2) As at 31 December 2014, a total of 1,948,869,927 A Shares of the Company were held by Conch Holdings, representing an increase of 30,540,819 Shares as compared with those at the end of last year, mainly because Anhui Conch Construction Materials Design Centre (a wholly-owned subsidiary of Conch Holdings) transferred all of the 30,540,819 Shares it held in the Company to Conch Holdings via the bulk-volume trading system of SSE during the Reporting Period.
- (3) As at 31 December 2014, HKSCC Nominees Limited held 1,297,711,378 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the total number of H Shares issued by the Company, on behalf of its various clients; and it held 88,166,778 A Shares, representing 1.66% of the total share capital of the Company, and 2.20% of the total number of A Shares issued by the Company, on behalf of its various clients
- (4) As at 31 December 2014, a total of 286,713,246 A Shares of the Company were held by Conch Venture, with no change in the number of shares of the Company held by it during the Reporting Period.
- (5) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship under the SSE Listing Rules. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.
- (6) The Company is not aware of any pledge or moratorium of shares held by shareholders holding more than 5% of the issued share capital of the Company.

6. Changes in Shares and Shareholders

3. As at 31 December 2014, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,948,869,927 A Shares (long position)	Beneficial owner	48.73% (Note 2)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
CCVH	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
Conch Venture	302,065,101 A Shares (long position) (Note 1)	Interest of a controlled corporation/ Beneficial owner	7.55% (Note 2)
JPMorgan Chase & Co.	274,448,901 H Shares (long position) (Note 4)	Beneficial owner/ investment manager/ custodian	21.12% (Note 3)
JPMorgan Chase & Co.	25,793,169 H Shares (short position) (Note 4)	Beneficial owner	1.98% (Note 3)
BlackRock, Inc.	130,152,414 H Shares (long position) (Note 5)	Interest of a controlled corporation	10.01% (Note 3)
BlackRock, Inc.	540,500 H Shares (short position) (Note 5)	Interest of a controlled corporation	0.04% (Note 3)
Genesis Asset Managers, LLP	129,509,693 H Shares (long position)	Investment manager	9.97% (Note 3)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 6)	Interest of a controlled corporation	8.97% (Note 3)
The Capital Group Companies, Inc.	78,060,099 H Shares (long position) (Note 7)	Interest of a controlled corporation	6.01% (Note 3)

6. Changes in Shares and Shareholders

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Credit Suisse Group AG	77,421,448 H Shares (long position) (Note 8)	Interest of a controlled corporation	5.96% (Note 3)
Credit Suisse Group AG	43,028,937 H Shares (short position) (Note 8)	Interest of a controlled corporation	3.31% (Note 3)
HSBC Holdings plc	75,868,439 H Shares (long position) (Note 9)	Interest of a controlled corporation	5.84% (Note 3)
HSBC Holdings plc	81,379,569 H Shares (short position) (Note 9)	Interest of a controlled corporation	6.26% (Note 3)
Bank of America Corporation	71,130,319 H Shares (long position) (Note 10)	Interest of a controlled corporation	5.47% (Note 3)
Bank of America Corporation	55,433,601 H Shares (short position) (Note 10)	Interest of a controlled corporation	4.27% (Note 3)

Notes:

- (1) Anhui Provincial Investment Group Holdings Co., Ltd. ("Anhui Provincial Investment Group") and Conch Venture Property, respectively, held 51% and 49% of the equity interests in Conch Holdings. Conch Venture Property is wholly owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("CV Green"), which is in turn wholly owned by China Conch Venture Holdings (HK) Limited ("CV HK"). CV HK is wholly owned by China Conch Venture Holdings International Limited ("CV International"). CV International is a wholly-owned subsidiary of CCVH, a company listed on the Main Board of HKSE (stock code: 00586). Pursuant to the SFO, Anhui Provincial Investment Group, Conch Venture Property, CV Green, CV HK, CV International and CCVH were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 302,065,101 A Shares held by Conch Venture, 286,713,246 Shares were held by Conch Venture as beneficial owner and 15,351,855 Shares were held in the name of Conch Property (a wholly-owned subsidiary of Conch Venture).

- (2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.
- (3) The total number of H Shares in issue was 1,299,600,000 shares.
- (4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 6 January 2015 in respect of the relevant event that occurred on 31 December 2014, these shares were held through certain subsidiaries of JPMorgan Chase & Co. Of the 274,448,901 H Shares (long position), 60,266,410 Shares were held in the capacity of beneficial owner; 38,039,675 Shares in the capacity of investment manager; and 88,071,408 Shares (securities in lending pool) in the capacity of custodian.

6. Changes in Shares and Shareholders

- (5) Based on the disclosure of interests form submitted by BlackRock, Inc. on 5 January 2015 in respect of the relevant event that occurred on 31 December 2014, these shares were held through certain subsidiaries of BlackRock, Inc.
- (6) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.
- (7) Based on the disclosure of interests form submitted by The Capital Group Companies, Inc. on 8 December 2014 in respect of the relevant event that occurred on 5 December 2014, these shares were held through certain subsidiaries of The Capital Group Companies, Inc.
- (8) Based on the disclosure of interests form submitted by Credit Suisse Group AG on 6 January 2015 in respect of the relevant event that occurred on 30 December 2014, these shares were held through certain subsidiaries of Credit Suisse Group AG.
- (9) Based on the disclosure of interests form submitted by HSBC Holdings plc on 5 January 2015 in respect of the relevant event that occurred on 30 December 2014, these shares were held through certain subsidiaries of HSBC Holdings plc.
- (10) Based on the disclosure of interests form submitted by Bank of America Corporation on 26 November 2014 in respect of the relevant event that occurred on 20 November 2014, these shares were held through certain subsidiaries of Bank of America Corporation.

Save for the aforesaid shareholders, as at 31 December 2014, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.



6. Changes in Shares and Shareholders

4. Information on the controlling shareholder of the Company

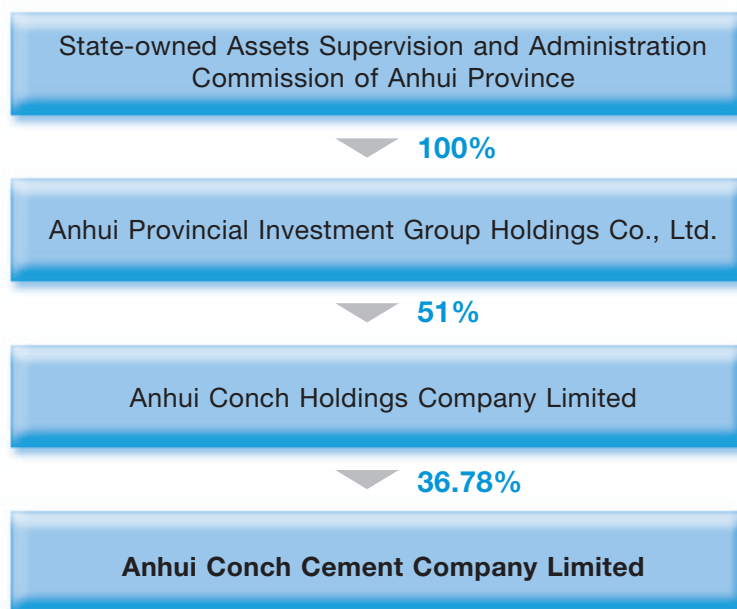
Name in English:	Anhui Conch Holdings Co., Ltd.
Legal representative:	Guo Wensan
Date of establishment:	8 November 1996
Registered capital:	RMB800 million
Principal business activities:	Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products, transportation, warehousing, construction project, development of technological products, technical support services, imports and exports trading, etc.

The development strategies of Conch Holdings include: focusing on cement and chemical building materials industries, and extending the business scope of Conch Holdings to the upstream and downstream industry chain of its core businesses; continuing to facilitate structural optimization and making strenuous efforts to develop energy-saving and environment-friendly industries; promoting international strategy, merger & acquisition and restructuring strategy, technology innovation strategy and the talent introduction strategy. As at the end of the Reporting Period, Conch Holdings was also the controlling shareholder of Wuhu Conch Profiles and Science Co., Ltd. (a company listed on the Shenzhen Stock Exchange) with an equity shareholding of 32.07%. During the Reporting Period, there was no change in the controlling shareholder of the Company.

6. Changes in Shares and Shareholders

5. Information on the shareholding and controlling relationship between the Company and its controlling shareholders' controlling shareholders

Anhui Provincial Investment Group is a state-owned company solely owned by the State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2014, the shareholding relationship structure between Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:



6. Public float

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the HKSE Listing Rules.

(5) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.



6. Changes in Shares and Shareholders

(6) ISSUE OF PREFERENCE SHARES AND PRE-EMPTIVE RIGHTS

During the Reporting Period, the Company did not issue any preference shares. Under the Articles and the laws of the PRC, the Company is not required to offer to its existing shareholders on a pre-emptive basis right to acquire new shares in proportion to their shareholdings.

(7) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2014, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2014, the Group had no redeemable securities.

(8) TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2014, holders of the Company's listed securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

7. Directors, Supervisors, Senior Management and Staff

(1) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Existing Directors, Supervisors and Senior Management

Name	Position	Sex	Date of birth	Tenure
Guo Wensan	Chairman and executive Director	Male	September 1955	28 May 2013 to 27 May 2016
Fang Junwen (Note 1)	Independent non-executive Director	Male	April 1950	28 May 2013 to 7 January 2015
Wong Kun Kau	Independent non-executive Director	Male	November 1960	28 May 2013 to 27 May 2016
Tai Kwok Leung	Independent non-executive Director	Male	December 1957	28 May 2013 to 27 May 2016
Zhao Jianguang (Note 2)	Independent non-executive Director	Male	July 1965	10 March 2015 to 27 May 2016
Guo Jingbin (Note 3)	Non-executive Director	Male	January 1958	20 June 2014 to 27 May 2016
Wang Jianchao	Executive Director and general manager	Male	July 1964	28 May 2014 to 27 May 2016
Zhang Mingjing	Executive Director	Female	September 1962	28 May 2013 to 27 May 2016
Zhou Bo	Executive Director and chief accountant	Male	January 1976	28 May 2013 to 27 May 2016
Wang Jun	Chairman of Supervisory Committee	Male	February 1957	28 May 2013 to 27 May 2016
Zhu Yuming	Supervisor	Male	December 1947	28 May 2013 to 27 May 2016
Ding Feng	Staff representative supervisor	Male	December 1972	28 May 2013 to 27 May 2016
Wu Bin	Deputy general manager	Male	January 1965	-
Li Qunfeng	Assistant to general manager	Male	September 1971	-
Ke Qiubi	Assistant to general manager	Male	September 1963	-
Chen Yongbo	Assistant to general manager	Male	July 1965	-
Li Xiaobo	Assistant to general manager	Male	March 1970	-
Li Leyi	Chief engineer of technical art	Male	December 1962	-
Xia Xiaoping	Deputy chief accountant	Male	March 1958	-
Yang Kaifa	Secretary to the Board	Male	February 1974	-
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	January 1963	-

7. Directors, Supervisors, Senior Management and Staff

Note:

1. Mr. Fang Junwen ceased to be the independent non-executive Director of the Company since 7 January 2015.
2. As approved at the Company's first extraordinary general meeting for the year 2015 held on 10 March 2015, Mr. Zhao Jianguang was appointed as the independent non-executive Director of the sixth session of the Board of the Company, whose appointment shall be effective from 10 March 2015 and up to the expiry day of the tenure of the sixth session of the Board.
3. Mr. Guo Jingbin was appointed as the executive Director of the sixth session of the Board of the Company on 28 May 2013, and was redesignated as the non-executive Director of the Company on 20 June 2014.

Resigning Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Sex	Date of birth	Date of resignation
Xu Gengyou	Assistant to general manager	Male	May 1961	24 March 2014

Information of shares of the Company held or traded by existing Directors, Supervisors and senior management members:

Name	Position	Number of shares held as at 31 December 2013 (share)	Number of shares sold during the Reporting Period (share)	Number of shares held as at 31 December 2014 (share)
Ke Qiubi	Assistant to general manager	604,445	100,000	504,445
Li Xiaobo	Assistant to general manager	193,000	–	193,000
Xia Xiaoping	Deputy chief accountant	150,000	35,000	115,000

Save as disclosed above, none of the Directors, Supervisors and senior management members of the Company held or traded any shares of the Company during the Reporting Period.

7. Directors, Supervisors, Senior Management and Staff

Information of positions held by existing Directors, Supervisors and senior management members in Conch Holdings, the controlling shareholder of the Company:

Name	Position held in Conch Holdings	Tenure	Any remuneration and allowances received from Conch Holdings
Guo Wensan	Chairman	From January 1997 to present	Yes
Guo Jingbin	Director	From January 1997 to present	Yes
Wang Jianchao	Director and deputy general manager	From May 2013 to present	No
Wang Jun	Director and Chairman of Labor Union	From May 2013 to January 2015	Yes
Ding Feng	Assistant to general manager	From May 2012 to present	No

7. Directors, Supervisors, Senior Management and Staff

Information of positions held by existing Directors, Supervisors and senior management members in other entities:

Name	Position held in other entities	Any remuneration and allowances received from other entities
Guo Jingbin	<ul style="list-style-type: none"> ① Chairman of Conch Venture ② Executive Director and Chairman of CCVH ③ Director of CV International ④ Director of CV HK ⑤ Director of CV Green ⑥ Chairman of Conch Venture Property ⑦ Director of Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ⑧ Chairman of Wuhu Conch Investment Co., Ltd. 	No
Zhang Mingjing	Non-executive Director of CCVH	No
Zhou Bo	Supervisor of Qingsong Building Materials and Chemicals	No
Wang Jun	<ul style="list-style-type: none"> ① Director of Shanghai Conch International Investment Development Co., Ltd. ② Director of Conch Venture Property 	No
Li Qunfeng	<ul style="list-style-type: none"> ① Director of Conch Venture ② Director of Qingsong Building Materials and Chemicals 	No

7. Directors, Supervisors, Senior Management and Staff

BIOGRAPHY OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Guo Wensan, Chairman and executive Director of the Company, senior engineer. Chairman Guo graduated from Shanghai Tongji University. He joined the Group in 1980 and has more than 30 years of experience in corporate management and is an experienced cement manufacturing technology expert in the PRC. Chairman Guo has received the second prize for the “National Science and Technology Progress Award” (國家科學技術進步獎二等獎) from the State Council of the PRC for key new dry-processed cement production technology and equipment development and engineering application project. He has received honours such as the “First of May” (“五一”) Labour Medal and the national construction materials exemplary award. He received the “Gold Award for Contributions (“貢獻獎”金質獎章) from the People’s Government of Anhui Province. Chairman Guo was a representative of the 16th and 18th Congress of the Communist Party of China and the 11th National People’s Congress of China. He is currently a representative of the 12th National People’s Congress of China and the vice president of China Building Materials Federation.

Mr. Wang Jianchao, an executive Director and general manager of the Company, senior economist. Mr. Wang graduated from Huangshan University and received the MBA degree from Jinan University in 2014. He joined the Group in 1982, and had served as deputy head of import and export department of Conch Holdings, head of international business department, head of supply department, head of foreign economic cooperation department, assistant to general manager, and deputy general manager of the Company. He has extensive experience in corporate management.

Ms. Zhang Mingjing, an executive Director of the Company and senior economist. Ms. Zhang graduated from Anhui Normal University and joined the Group in 1987. She held positions such as head of external economic cooperation department and deputy head of development department of the former Ningguo Cement Plant, and officer in-charge of the secretariat to the Board, secretary to the Board, deputy general manager and officer in-charge of the Regional Committee in Shanghai of the Company. She has extensive experience in capital operation, standard management of listed companies and establishment of internal control system. She is currently the chairman of Indonesia Conch.

Mr. Zhou Bo, an executive Director and chief accountant of the Company, senior economist. Mr. Zhou graduated from Shanghai University and joined the Group in 2000. He held various positions such as the head of finance department of Zongyang Conch, assistant to the head of finance department, the deputy head and the head of finance department of the Company, the deputy officer-in-charge of the Regional Committee in Hunan and deputy chief accountant of the Company. He has relatively extensive experience in financial management and internal risk control.

Upholding the tenet of “human-oriented and harmonious enterprise”, the Company takes great efforts in building a good corporate culture. Adhering to the spirit of Conch Group and advocating our corporate culture, we turn the soft environment of corporate culture development into hardware capability, so as to promote the rapid and healthy development of the Company. Every year, the Company assesses work performance and grants awards for outstanding teams and individuals in operation and management, cultivating a strong atmosphere within the Company with the concept of “comparing, learning, chasing, helping and surpassing”, so as to motivate the carders and staff’s passion for work. Sticking to the philosophy of “life comes before production”, the Company attaches great importance to the living standards of the employees, and spares no efforts in creating a comfortable working and living environment for the staff. The Company provides multi-level trainings for the employees, with an aim to develop “five-model”teams. The Company organized various spiritual civilization construction activities such as skill contests, singing contests and evening art performance, enriching our corporate culture, cultivating company-specific team culture and enhancing our team spirit and morale.





7. Directors, Supervisors, Senior Management and Staff

NON-EXECUTIVE DIRECTOR

Mr. Guo Jingbin, a non-executive Director, senior engineer. Mr. Guo graduated from Shanghai Construction Materials College and joined the Group in 1980. In 1998, Mr. Guo received the MBA degree from the Postgraduate College of the Social Science Institute of China. Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the Board and deputy general manager of the Company. He has extensive experience in capital markets. Mr. Guo was an executive Director of the first to fifth sessions of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fang Junwen, an independent non-executive Director of the Company. Mr. Fang graduated from Anhui University, majoring in law. He had served as the standing committee member of Anhui Provincial CPPCC, deputy director of the economic committee of Anhui Provincial CPPCC, party secretary and director of Anhui Bureau of China Securities Regulatory Commission. He has extensive experience in the fields of securities and economics. Mr. Fang ceased to be the independent non-executive Director of the Company since 7 January 2015.



Top row from left: Zhou Bo, Chen Yongbo, Li Qunfeng, Yang Kaifa, Zhang Mingjing

Bottom row from left: Xia Xiaoping, Li Leyi, Wang Jianchao, Wu Bin, Li Xiaobo, Ke Qiubi

7. Directors, Supervisors, Senior Management and Staff

Mr. Wong Kun Kau, an independent non-executive Director of the Company. Mr. Wong received a bachelor's degree in social science from the University of Hong Kong. Mr. Wong was previously the Head of Investment Banking (Asia) for BNP Paribas Capital (Asia Pacific) Limited. He has approximately 30 years of experience in fund management, securities brokerage and corporate financing. He is the founder and currently the managing partner of Bull Capital Partners (Hong Kong) Ltd (a direct investment fund management company). Mr. Wong is an independent non-executive director of West China Cement Limited (a company listed on the HKSE since August 2010), Lifestyle Properties Development Limited (a company listed on the HKSE since September 2013) and China Shengmu Organic Milk Limited (a company listed on the HKSE since July 2014), and he is a non-executive director of Sun King Power Electronics Group Limited (a company listed on the HKSE since October 2010).

Mr. Tai Kwok Leung, an independent non-executive Director of the Company. Mr. Tai received a bachelor's degree in commerce and administration from Victoria University of Wellington, New Zealand. Mr. Tai is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and New Zealand Institute of Chartered Accountants. He has extensive experience in accounting, corporate finance and investment in Hong Kong and overseas. Mr. Tai is currently the managing director of Investec Capital Asia Limited – officer-in-charge of corporate finance department. He also serves as independent non-executive director of Luk Fook Holdings (International) Limited.

Mr. Zhao Jianguang, an independent non-executive Director of the Company. Mr. Zhao graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) with a master degree in Economics. Mr. Zhao has 20 years of experience in the securities industry and served as the chief executive officer of Guodu Securities Co., Ltd. (國都證券有限責任公司), vice president of Guosen Securities Co., Ltd. (國信證券股份有限公司), general manager of the investment bank division of Nanfang Securities Co., Ltd. (南方證券有限公司) and senior manager of the issuance division of Huaxia Securities Co., Ltd. (華夏證券股份有限公司). He is currently the chairman of JYTH Investment Management (Beijing) Co., Ltd. (建元天華投資管理(北京)有限公司). Mr. Zhao was appointed as the independent non-executive Director of the sixth session of the Board of the Company on 10 March 2015.

7. Directors, Supervisors, Senior Management and Staff

SUPERVISORS

Mr. Wang Jun, chairman of the Supervisory Committee of the Company, senior engineer. Mr. Wang graduated from Anhui University and joined the Group in 1982. Mr. Wang held various positions such as head of automatic measurement department, head of personnel department and party secretary of the former Ningguo Cement Plant. Mr. Wang was a Supervisor of the first to fifth sessions of the Supervisory Committee of the Company.

Mr. Zhu Yuming, a Supervisor. Mr. Zhu graduated from Anhui Open University, majoring in finance. He is currently a Certified Public Accountant of Anhui Province and chairman of Anhui Appraisal Society. He held various positions including deputy director of Anhui Provincial Office of State Administration of Taxation, director of Anhui Local Taxation Bureau, director of Anhui Provincial Department of Finance and director of the Financial and Economic Committee of Anhui Provincial People's Congress. Mr. Zhu has been engaged in financial and taxation work for a substantial period of time and has published dozens of papers relating to finance and economics. He also compiled and published books with more than one million words about finance and taxation. Mr. Zhu has won numerous awards in recognition of his outstanding contribution to social science.



Top row from left: Ding Feng, Zhang Mingjing, Wang Jianchao, Guo Jingbin, Wang Jun, Zhou Bo
Bottom row from left: Zhao Jianguang, Wong Kun Kau, Guo Wensan, Zhu Yuming, Tai Kwok Leung

7. Directors, Supervisors, Senior Management and Staff

Mr. Ding Feng, a staff representative Supervisor of the Company, intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the deputy head of finance department of Tongling Conch, financial controller of Zongyang Conch, deputy head of finance department of the Company and the officer-in-charge of the Regional Committee in Jiangxi and Guizhou. He has relatively extensive experience in finance management, corporate management and the merger and acquisition of projects. Mr. Ding is also currently the head of external economic cooperation department of the Company.

SENIOR MANAGEMENT

Mr. Wu Bin, deputy general manager of the Company and senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1983. Mr. Wu held various leading positions such as deputy head of sales department and deputy plant director of the packing and transportation sub-plant of Baimashan Cement Plant, deputy director and director of sales department of the Company and assistant to general manager of the Company. Mr. Wu has extensive experience in sales-and-management-related work.

Mr. Li Qunfeng, assistant to general manager of the Company, engineer. Mr. Li graduated from Luoyang Technology College and joined the Group in 1994. Mr. Li held various positions such as plant director of the production sub-plant, director of production quality department, assistant to general manager, deputy general manager and general manager of Tongling Conch as well as officer-in-charge of the Regional Committee in the north of Anhui Province. Mr. Li has relatively extensive experience in cement manufacturing technology and quality management. Mr. Li is now also officer-in-charge of the Regional Committee in Guizhou.

Mr. Ke Qiubi, assistant to general manager of the Company, senior engineer. Mr. Ke graduated from Wuhan Industrial University. He joined the Group in 1986. He had held various leading positions including the deputy head of the mining sub-plant of the former Ningguo Cement Plant, executive deputy general manager of Chizhou Conch, deputy general manager of Zongyang Conch, officer-in-charge of the Regional Committee in Sichuan and Chongqing and head of the mineral resources management department of the Company. He has rich experience in artistic and technology innovation and corporate management. Mr. Ke is now also officer-in-charge of the Regional Committee in Sichuan and Chongqing.

7. Directors, Supervisors, Senior Management and Staff

Mr. Chen Yongbo, assistant to general manager of the Company, senior engineer. Mr. Chen graduated from Changchun Building Materials Technical School (長春建材工業學校) and joined the Group in 1995. He served as plant director of production sub-plant and officer of the product quality department of Tongling Conch, general manager of Zongyang Conch, general manager of Huaining Conch, officer-in-charge of the Regional Committee in Shaanxi and Gansu, and officer-in-charge of the Regional Committee in northern Anhui, etc. He is well experienced in production management. Mr. Chen is now also officer-in-charge of the Regional Committee in Yunnan.

Mr. Li Xiaobo, assistant to general manager of the Company, assistant engineer. Mr. Li graduated from Tianjin Building Materials School and joined the Group in 1990. Mr. Li held various positions such as technical director of Ningguo Cement Plant, assistant to the head, deputy head and executive deputy head of equipment department of the Company, executive deputy general manager of Prosperity Conch, chairman and general manager of Chongqing Conch, chairman and general manager of Dazhou Conch, officer-in-charge of the Regional Committee in Sichuan and Chongqing and officer-in-charge of the Regional Committee in northern Anhui. Mr. Li is also head of mechanical and electrical maintenance department of the Company.

Mr. Li Leyi, chief engineer of technical art of the Company, engineer. Mr. Li graduated from Wuhan Industrial University and joined the Group in 1983. He held various leading positions such as plant director of the production sub-plant of the former Ningguo Cement Plant, deputy chief engineer of Tongling Conch, general manager of Zongyang Conch, officer-in-charge of the production coordination centre of the Company and officer-in-charge of the Regional Committee in Guizhou. He took charge of a number of technology reform projects for cement production. He has extensive experience in technical art design, technology innovation, onsite production organization and corporate management.

Mr. Xia Xiaoping, deputy chief accountant of the Company, intermediate accountant. Mr. Xia graduated from Anhui Business School and joined the Group in 1980. Mr. Xia held various leading positions such as the head of finance department of Ningguo Cement Plant, deputy head of finance department of the Company, financial controller of Chizhou Conch, deputy chief accountant and general manager of Xingye Kuyang Conch. He has extensive experience in financial management, internal audit and internal risk control. Mr. Xia is also the chief of Audit Office of the Company.



7. Directors, Supervisors, Senior Management and Staff

SECRETARY TO THE BOARD (COMPANY SECRETARY)

Mr. Yang Kaifa, secretary to the Board, senior economist. Mr. Yang graduated from Anhui University and joined the Group in 1996. He was the securities affairs representative, assistant to the officer-in-charge and deputy officer-in-charge of the secretariat to the Board of the Company and the deputy officer-in-charge of the Regional Committee in Jiangxi. He has relatively extensive experience in securities management and capital market. Mr. Yang is currently the officer-in-charge of the secretariat to the Board.

Mr. Chiu Pak Yue, Leo, the company secretary (Hong Kong) of the Company, is a Hong Kong practising solicitor. He graduated from The University of Hong Kong. He is a partner of Chiu & Partners, Solicitors. Mr. Chiu has handled a variety of financial and commercial legal matters in Hong Kong and for multinational companies, including listing, merger and acquisitions, share issue privatisation and corporate restructuring.

7. Directors, Supervisors, Senior Management and Staff

(2) APPOINTMENT OR CESSATION IN OFFICE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

As approved at the 2013 annual general meeting of the Company held on 28 May 2014, Mr. Wang Jianchao was appointed as the executive Director of the sixth session of the Board of the Company, whose appointment shall be effective from 28 May 2014 and up to the expiry day of the tenure of the sixth session of the Board.

As recommended by the Remuneration and Nomination Committee of the Board and approved at the fourth meeting of the sixth session of the Board of the Company on 21 August 2014, the Board agreed to appoint Mr. Chen Yongbo as the assistant to general manager of the Company.

As recommended by the Remuneration and Nomination Committee of the Board, on 20 June 2014, the Board agreed to redesignate Mr. Guo Jingbin from an executive Director to a non-executive Director, with his appointment effective from 20 June 2014 and up to the expiry day of the tenure of the sixth session of the Board.

On 8 May 2014, Mr. Fang Junwen tendered his resignation as the independent non-executive Director of the Company as well as the member of the Audit Committee and the member (chairman) of the Remuneration and Nomination Committee of the Board of the Company due to his other work commitments. Mr. Fang's resignation was effective from 7 January 2015, so since then he ceased to perform his duties as the independent Director of the Company, the member of the Audit Committee and the member (chairman) of the Remuneration and Nomination Committee of the Board of the Company.

On 10 November 2014, Mr. Zhu Yuming tendered his resignation as the Supervisor of the Company due to his other work commitments. In accordance with the relevant laws and regulations and Articles of the Company, Mr. Zhu Yuming's resignation shall become effective after appointment of a new Supervisor to fill his vacancy as his resignation has caused the number of members of the Supervisory Committee to be less than the required minimum number.

During the Reporting Period, Mr. Xu Gengyou tendered his resignation as the assistant to general manager of the Company due to work-related reason. On 24 March 2014, the Board approved his resignation.

(3) SERVICE CONTRACTS AND INTERESTS IN CONTRACTS OF DIRECTORS AND SUPERVISORS

For details of the term of service contracts entered into between the Company and the respective executive Directors and Supervisors, please refer to the above section headed "(1) Basic information of Directors, Supervisors and Senior Management".

7. Directors, Supervisors, Senior Management and Staff

None of the Directors or Supervisors of the Company had any material interests, either directly or indirectly, in any contract entered into by the Company or its subsidiaries during or subsisting at the end of the Reporting Period.

During the Reporting Period, none of the Directors and/or Supervisors of the Company entered into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(4) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARE CAPITAL

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company and their respective spouses and children under the age of 18 had any interests and/or short positions in shares, underlying shares, debentures in the Company or its associated corporation (within the meaning of Part XV of the SFO), nor had they been granted any rights to subscribe for or exercised the above rights to subscribe for shares or debentures of the Company or its associated corporation as defined in Part XV of the SFO. Such interests or short positions shall be recorded in the register required to be kept and prepared by the Company under Section 352 of the SFO; or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 to the HKSE Listing Rules.

(5) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FOR THE YEAR

1. Decision-making process and basis for determining remuneration

The remuneration and nomination committee of the Board is responsible for determining the remuneration policy and the remuneration proposals of Directors and senior management with reference to its written terms of reference. The remuneration of Directors and internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details of the remuneration of senior management, please refer to the paragraph headed “(4) Establishment and Implementation of an Appraisal and Incentive Mechanism for Senior Management” in “Corporate Governance” in chapter eight of the report.

7. Directors, Supervisors, Senior Management and Staff

2. Remuneration received by Directors, Supervisors and senior management from the Company for the year

Remuneration of existing Directors, Supervisors and senior management for the year

(Unit: RMB)

Name	Position	Remuneration received from the Company
Guo Wensan	Chairman and executive Director	-
Guo Jingbin	Non-executive Director	-
Wang Jianchao	Executive Director and general manager	982,366.01
Zhang Mingjing	Executive Director	829,991.02
Zhou Bo	Executive Director and chief accountant	774,718.64
Fang Junwen	Independent non-executive Director	-
Wong Kun Kau	Independent non-executive Director	131,993.33
Tai Kwok Leung	Independent non-executive Director	131,993.33
Wang Jun	Chairman of Supervisory Committee	-
Zhu Yuming	Supervisor	-
Ding Feng	Staff representative supervisor	662,795.02
Wu Bin	Deputy general manager	827,060.03
Li Qunfeng	Assistant to general manager	772,719.05
Chen Yongbo	Assistant to general manager	648,628.82
Ke Qiubi	Assistant to general manager	671,136.94
Li Xiaobo	Assistant to general manager	735,833.26
Li Leyi	Chief engineer of technical art	736,322.18
Xia Xiaoping	Deputy chief accountant	701,294.55
Yang Kaifa	Secretary to the Board	645,936.85

7. Directors, Supervisors, Senior Management and Staff

Annual remuneration of resigned Directors, Supervisors and senior management during the Reporting Period

(Unit: RMB)

Name	Position	Remuneration received from the Company
Xu Gengyou	Assistant to general manager	41,519.62

Note:

1. The above-mentioned annual remunerations were all before tax and included basic salary, bonus, housing provident fund and various insurances paid by the individual and the Company.
2. During the Reporting Period, Mr. Wong Kun Kau and Mr. Tai Kwok Leung did not receive any remuneration from the Company and will not request the Company for payment of remuneration for the Reporting Period. The amounts listed in the above table are business related allowances paid by the Company to them.
3. During the Reporting Period, Mr. Fang Junwen and Mr. Zhu Yuming did not receive any remuneration and business related allowances from the Company and will not request the Company for payment of remuneration and allowances for the Reporting Period. The office and business trip expenses incurred by them were paid by the Company.
4. The annual remuneration of Mr. Wang Jianchao was reviewed and approved by Anhui SASAC in accordance with the document WGKH[2014]651 and the fulfillment by Conch Holdings of its business targets.

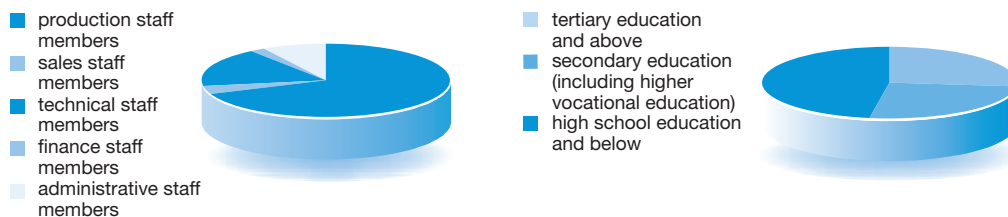
7. Directors, Supervisors, Senior Management and Staff

(6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, all of the five highest paid individuals of the Group are senior management of the Company. For details of their remuneration, please refer to the above section headed “(5) Remuneration of Directors, Supervisors and Senior Management for the Year” and note 10 to the financial statements prepared in accordance with the IFRS in this report.

(7) EMPLOYEES

As at 31 December 2014, there were 48,439 staff members under the employment of the Group, of which 33,382 were production staff members, 1,816 were sales staff members, 8,361 were technical staff members, 930 were finance staff members, 3,950 were administrative and management staff members. 13,344 of them received tertiary education and above, 12,279 had secondary education (including higher vocational education), and 22,816 received high school education and below. The professional structure and education background of the employees are set out below:



During the Reporting Period, the Group implemented an annual remuneration system for its middle and senior management which was assessed based on the production and sales volume, profitability and costs according to the annual objective accountability assessment system, while position salary and seniority salary were adopted for its professional technical management staff and average staff which were assessed based on position indicators and performance of their duties and responsibilities according to the objective assessment management system based on positions.

7. Directors, Supervisors, Senior Management and Staff

In relation to training, the Group provided multi-level training programmes, with an aim to enhancing the management capability of the leaders and strengthening the professional skills of the staff. During the Reporting Period, the Group further improved its training management systems at its head office, regional entities and subsidiaries, enhanced the duty-performing capabilities of its professional departments and regional professional teams, and made its great efforts to reinforce the cadres training and constantly strengthen the governing capacity of the cadres, thus effectively improving all the cadres' ability in production, operation and management. Meanwhile, efforts were exerted to strengthen the supervision and inspection of skill trainings for the general staff at working level of regional subsidiaries, so as to secure adequate reserve of high-calibre personnel for stable production and effective management control.

The Company had no responsibility for the payment to the resigned and retired employees.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 7(b) to the financial statements prepared in accordance with the IFRS. Pension recorded in the income statement of the Group for the year ended 31 December 2014 amounted to RMB362.22 million.

(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2014, the total housing welfare fund paid by the Group amounted to approximately RMB178.48 million.

8. Corporate Governance

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure, perfecting the internal control and management systems and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements. General meeting of the Company, the Board and the Supervisory Committee have clearly defined power and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner.

The general meeting is the body with the highest authority in the Company and operates in accordance with the Rules of Procedures of General Meeting. During the Reporting Period, legal advisers were present in witness of the general meetings of the Company and legal advice was obtained in connection with the convention of general meetings to ensure that decision-making procedures and contents of general meetings are legal and valid and that shareholders can fully exercise their own rights.

The Board is the decision-making body for business operation of the Company, which is accountable to the shareholders in general meeting. It operates in accordance with the Articles and the Rules of Procedures of Board Meeting. The Directors of the Company organize and implement various resolutions of the general meeting in a diligent, prudent and responsible manner through decisions in scientific approach to facilitate the healthy and sound development of the Company.

The Supervisory Committee is the monitoring body of the Company, accountable to the shareholders in general meeting. It operates in accordance with the Rules of Procedures of Supervisory Committee. The Supervisors of the Company effectively monitor the performance of duties of the Directors and senior management and the legal compliance in the Company's operations.

During the Reporting Period, in accordance with the requirement of management, the Company established a series of systems such as the Tentative Administrative Measures on Domestic Acquisitions, Mergers, Restructure and Investments, the Administrative Measures on Electronic Bank Acceptance Bills and the Management Regulation on Tendering and Bidding for Construction and Installation Projects, and also modified various systems including the Administrative Measures on Related Party Transactions and the Payment Process for A&M and Restructure Projects, laying a solid foundation for the further improvement of corporate governance. The establishment and modification of the aforesaid systems are in line with the Company Law and the relevant regulations of the CSRC and the Stock Exchange.

8. Corporate Governance

The Company established the Administrative Measures on the Use of Information by Insiders and External Users in 2010. During the Reporting Period, the Company reinforced its control on the use of information by insiders and external users and was in strict compliance with the requirements of the above measures by keeping the price-sensitive information confidential and ensuring information disclosure in a fair manner. After internal review and examination, the insiders did not make use of any confidential information to deal with shares of the Company before the disclosure of material price-sensitive information that would affect the share price of the Company. No inspection or punishment was conducted or imposed by the regulatory authorities in such regard.

(2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

On 28 May 2014, the annual general meeting of Company for the year 2013 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal on 29 May 2014.

The Supervisory Committee monitored the performance of duties of the Directors and senior management and the legal compliance regarding the Company's operation, and did not raise any objection in respect of the foregoing during the Reporting Period.

(3) PERFORMANCE OF DUTIES BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Written Terms of Reference of the Remuneration and Nomination Committee and the Written Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and general meetings convened in 2014, held various specialized committee meetings, attended on a timely basis the reporting by the Company's management on production and operations and significant events for 2014, conducted on-site visits to the Company's production sites, participated in the major decisions made by the Company, and exercised their professional skills to provide reasonable advice and recommendations about the operations and development of the Company from a professional point of view, hence lawfully safeguarding the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions for the year ended 31 December 2014, and expressed their independent views on the above matters.

As all the three independent non-executive Directors of the Company are members of the Audit Committee, please refer to the paragraph headed "(5) Corporate Governance – 8. Audit Committee

8. Corporate Governance

of the Board” for further information concerning the work carried out by the independent non-executive Directors in the course of preparation of this annual report.

(4) ESTABLISHMENT AND IMPLEMENTATION OF AN APPRAISAL AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

In light of the Company’s development planning, the Company assesses, provides incentive for and regulates its senior management by implementing an annual remuneration system for the senior management and entering into the Annual Targets Responsibility Letter. At the beginning of the year, by combining the responsibilities and division of labour of members of senior management and members of operation teams of its subsidiaries, the Company will enter into the Annual Targets Responsibility Letter with members of senior management and members of operation teams of its subsidiaries in respect of key performance indicators such as annual production and sales volume, profit, costs, and management objectives and requirements of annual performance of duties. At the end of the year, such members of senior management and members of operation teams of its subsidiaries will be assessed by a professional full-scale examination and performance appraisal team set up by the Company as to the review of annual business performance and the fulfillment of the key performance indicators, and the integrated appraisal of annual performance of duties of such members, who will then be awarded with annual remuneration according to the assessment results of the Annual Targets Responsibility Letter and full-scale appraisal results.

(5) CORPORATE GOVERNANCE

1. Corporate Governance Code and Corporate Governance Report

During the Reporting Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the HKSE Listing Rules (“Code”).

2. Securities transactions by Directors

The Company has adopted a code of practice regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the HKSE Listing Rules. Having made specific enquiries by the Company, all Directors of the Company confirmed that they have complied with the required standards set out in the Model Code and the Company’s code of conduct in relation to securities transactions by Directors during the Reporting Period.

8. Corporate Governance

3. The Board

As at 31 December 2014, composition of the Board is as follows:

Name	Position
Guo Wensan	Chairman and executive Director
Fang Junwen	Independent non-executive Director
Wong Kun Kau	Independent non-executive Director
Tai Kwok Leung	Independent non-executive Director
Guo Jingbin	Non-executive Director
Wang Jianchao	Executive Director
Zhang Mingjing	Executive Director
Zhou Bo	Executive Director

There is no financial, business, family or other material relationship between members of the Board and between the Chairman and the chief executive officer.

During the Reporting Period, two physical meetings of the Board were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 41 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Guo Wensan	100%	100%
Fang Junwen	100%	100%
Wong Kun Kau	100%	100%
Tai Kwok Leung	100%	100%
Guo Jingbin	100%	100%
Wang Jianchao	100%	100%
Zhang Mingjing	100%	100%
Zhou Bo	100%	100%

8. Corporate Governance

During the Reporting Period, the Board performed its duties and exercised its powers pursuant to Chapters 11 and 11A of the Articles, and the management performed its duties and exercised its powers pursuant to Chapter 13 of the Articles. In addition, the Board performed the functions set out in the Code D3.1. The Board would meet to develop, review and monitor the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements as well as compliance of the Model Code and compliance manual by the employees and Directors. Please refer to chapter 4 "Report of the Directors" of this annual report for details of the work performed by the Board, and chapter 3 "Management Discussion and Analysis" of this annual report for details of the work performed by the management.

4. Directors' Continuous Training and Development

Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that the Directors possess relevant knowledge and information when they serve the needs of the Board. The Directors are committed to comply with Code Provision A.6.5 on Directors' training of the Corporate Governance Code of the Listing Rules.

The Company arranged proper continuous professional development trainings for the Directors by various ways and approaches such as holding seminars, providing study materials, organizing the Directors to participate in seminars held by securities regulatory authorities, domestic and overseas stock exchanges, listed company associations and professional agencies, collecting and compiling market and regulation dynamics and information on a regular basis which were sent to Directors for reference by e-mail, so as to ensure that they have a good understanding of the business and operation of the Company, market environment, as well as their obligations and liabilities under the Listing Rules, common laws and relevant regulatory requirements to fulfill their duties.

For the financial year ended 31 December 2014, all Directors had participated in continuous professional development.

8. Corporate Governance

5. Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer (i.e. general manager) of the Company are filled by Mr. Guo Wensan and Mr. Wang Jianchao respectively.

The principal duties of the Chairman of the Board are: (a) to lead the Board and ensure that the Board operates effectively, duly performs its duties and has discussion on all significant matters in a timely and appropriate manner; (b) to ensure that all the Directors at the Board meetings are properly informed of the subject matters under discussion; (c) to ensure that the Directors receive sufficient information, which should be comprehensive and reliable, on a timely basis; and (d) to review the implementation of the Board resolutions.

The principal duties of the chief executive officer (general manager) are: (a) to oversee the management of the daily production and operations of the Group with the assistance of executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including coordination and implementation of the Board resolutions, annual business plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, to organize and formulate the roles and responsibilities of various departments, requirements of various offices and professional management procedures, to formulate the basic management system and the standards for performance appraisal of management officers of various levels; (d) to propose the engagement, dismissal or re-designation of deputy general managers or financial officers of the Company; (e) to convene and chair the meetings of the chief executive officer (general manager) and professional management seminars; and (f) to perform other duties and exercise other powers granted by the Articles and the Board.

6. Tenure of non-executive Directors and independence confirmation of independent non-executive Directors

For the tenure of the existing non-executive Directors of the Company, please refer to the paragraph headed “(1) Basic Information of Directors, Supervisors and Senior Management” of chapter 7 “Directors, Supervisors, Senior Management and Staff” in this report.

The Company has received confirmation letters for the year from Mr. Fang Junwen, Mr. Wong Kun Kau and Mr. Tai Kwok Leung, independent non-executive Directors, in respect of their independence pursuant to Rule 3.13 of the HKSE Listing Rules. The Company confirms with their independence and is of the opinion that all independent non-executive Directors are independent.

8. Corporate Governance

7. Remuneration and Nomination Committee of the Board

Pursuant to the HKSE Listing Rules, the Company has established the remuneration and nomination committee under the Board, which is principally responsible for formulating the remuneration policy for the Directors and senior management of the Company, determining the remuneration package for each of the Directors and senior management as well as the succession plan of the Directors. The remuneration and nomination committee is a non-standing committee under the Board, which is accountable to the Board.

The remuneration and nomination committee regularly reviews the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or on an “as needed” basis. Candidates of Directors are identified and recommended based on their working experience, professional expertise and commitment.

During the Reporting Period, the Remuneration and Nomination Committee of the Board comprised of five members, namely Mr. Fang Junwen, Mr. Wong Kun Kau, Mr. Tai Kwok Leung, Mr. Guo Jingbin and Ms. Zhang Mingjing, with Mr. Fang Junwen acting as the chairman (who ceased to perform his duties since 7 January 2015).

During the Reporting Period, the remuneration and nomination committee of the Board held one meeting. All committee members attended the meeting which was held on 23 March 2014, with the following resolutions considered and approved: (i) remuneration of the senior management of the Company for year 2013 and the remuneration appraisal targets of the senior management of the Company for year 2014; (ii) review of the structure, number of members and composition of the Board and nomination of Mr. Wang Jianchao as a candidate for the executive Director of the sixth session of the Board of the Company.

The remuneration and nomination committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2014 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

For details of the remuneration policy of the Directors and Supervisors, please refer to the above sub-paragraph headed “1. Decision-making process and basis for determining remuneration” in paragraph (5) of chapter 7 “Directors, Supervisors, Senior Management and Staff” in this report.

8. Corporate Governance

8. Audit Committee of the Board

The Board has established the audit committee under the Board pursuant to the HKSE Listing Rules and the requirements of CSRC to monitor the independence and work efficiency of external auditors, the financial reporting procedures and efficiency of internal control system of the Company, in order to assist the work of the Board. The audit committee is a non-standing organization under the Board and is accountable to the Board.

In order to ensure effectiveness in execution of duties by the Audit Committee, the Company has formulated the relevant regulations including the Written Terms of Reference of the Audit Committee and the Regulation on the Work of the Audit Committee on Annual Report. The Written Terms of Reference of the Audit Committee stipulates the number and qualification criteria of committee members, defines the duties and powers of the committee and prescribes the proceedings of the committee meetings and reporting procedures to the Board. The Regulation on the Work of the Audit Committee on Annual Report defines the specific work required to be carried out by the Audit Committee in connection with the preparation of and disclosure of the annual report of the Company, which mainly includes: studying and understanding the relevant requirements of the CSRC and other regulatory authorities in relation to the preparation of annual report, liaising on and determining the audit work schedule with the auditors for the annual audit, supervising the submission of the audit report by the auditors for the annual audit within the agreed timeframe, reviewing the financial statements of the Company before the commencement of audit work and after the issue of preliminary audit opinion by the auditors for annual audit, submitting to the Board the work summary of the audit work of the Company for the year conducted by the auditors for annual audit and proposing the resolution on the re-appointment or replacement of the auditors for next year.

During the period, the audit committee of the Board of the Company comprised Mr. Wong Kun Kau, Mr. Fang Junwen (who ceased to perform his duties since 7 January 2015) and Mr. Tai Kwok Leung, with Mr. Wong Kun Kau acting as the chairman.

8. Corporate Governance

During the Reporting Period, the audit committee held four meetings, which were attended by all of the committee members in person. Matters discussed during each meeting were as follows:

- (1) On 17 January 2014, the audit committee held telephone conference to review the financial statements prepared by the Company for the year 2013 and listened to the reporting by the Company's management on operation of the Company for 2013. The Finance Department reported the arrangement on the preparation of financial report and the main focus. KPMG Huazhen Certified Public Accountants (Special General Partnership) and KPMG Certified Public Accountants (together referred as "KPMG"), auditors of the Company reported the time table for the audit and the main focus of their audit work. The audit committee agreed to allow the auditors to conduct field audit in the Company for the year 2013.
- (2) On 4 March 2014, the Audit Committee, after further reviewing the 2013 financial statements and listening to the reporting by KPMG on the progress of the auditing by way of telephone conference, considered that the auditors had completed the audit conscientiously within the scheduled time frame.
- (3) On 23 March 2014, the audit committee held a meeting which considered and passed the following resolutions: (i) the annual financial report for the year ended 31 December 2013 prepared in accordance with the PRC Accounting Standards and IFRS respectively; (ii) the connected transactions which took place in 2013; (iii) the annual report and its summary for the year 2013; (iv) the report of internal control for the year 2013; (v) the internal audit report for the year 2013; (vi) the resolution regarding the provision of guarantee for bank loans granted to subsidiaries; and (vii) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen Certified Public Accountants (special general partnership) and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company, respectively.

On 23 March 2014, the audit committee issued a summary report in respect of the audit work for the Company for the year 2013 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for the Company for the year 2013, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company, respectively.

8. Corporate Governance

- (4) On 20 August 2014, the audit committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for the year 2014 prepared in accordance with the IFRS and PRC Accounting Standards respectively; (ii) the half-yearly report for the year 2014 and its summary and the half-yearly results announcement.

Since the commencement of the audit work in relation to the preparation of the financial report of the Company for the year ended 31 December 2014, the audit committee has been participating in the whole process:

- (1) Prior to the commencement of audit work by the auditors, the audit committee first reviewed the 2014 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the audit committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.
- (2) Following the issuance of preliminary auditors' report by the auditors, the audit committee reviewed again the 2014 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.
- (3) On 22 March 2015, the audit committee issued a summary report in respect of the audit work for the Company for the year 2014 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2014, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants (special general partnership) and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company respectively.

9. Auditors' Remuneration

Please refer to "(8) Auditors and remuneration" in chapter 5 "Significant Events" in this report for the remuneration of auditors appointed by the Company in 2014.

8. Corporate Governance

10. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2014 have been reviewed by the audit committee of the Company. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2014, applicable accounting policies have been adopted and applied consistently.

11. Internal Control

Please refer to chapter 9 "Internal Control" in this report for the information on internal control which are required to be disclosed.

12. Shareholders' Rights

Article 63 of the Articles provides that general meetings shall be convened by the Board whereas holders of 10% or more of the issued shares of the Company carrying voting rights may in writing request the Board to convene an extraordinary general meeting of the Company. Independent Directors and Supervisors are also entitled to propose to the Board for convening an extraordinary general meeting of the Company.

Article 65 of the Articles provides that when the Company convenes any annual general meeting, a shareholder or shareholders (whether singly or together) holding in aggregate 3% or more of the total number of issued shares of the Company carrying voting rights is or are entitled to propose motions to the Company, and any such motion shall fall within the scope of authority of the shareholders in general meeting, has clear subject and specific matters to be resolved, and is in compliance with the provisions of laws, administrative regulations and the Articles of the Company, provided that such motion shall be delivered to the Company within 30 days after the issue of the notice of the said meeting. The convener shall within two business days after the receipt of such motion issue supplementary notice to announce the contents of such ad hoc motion. Any motion which is not set out in a notice of general meeting or which does not meet the requirement of this Article shall not be voted on nor resolved by shareholders in general meeting.

8. Corporate Governance

In respect of the proposing of a person for election as a director, please refer to the “Procedures for shareholders to propose a person for election as a director of the Company” available on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company’s place of business in Wuhu City, Anhui Province.

13. Company Secretary

Mr. Yang Kaifa and Mr. Chiu Pak Yue, Leo are the joint company secretaries of the Company. For further details, please refer to “(1) Basic Information of Directors, Supervisors and Senior Management” of chapter 7 “Directors, Supervisors, Senior Management and Staff” in this report.

14. Investor Relations and Communication with Shareholders

During the Reporting Period, the Company put great effort in investor relationship management, and proactively created various channels to establish communication with the investors by means such as convening general meetings, results presentation, site survey for investors and teleconference, so as to ensure the investors of the Company will enjoy equal access rights to information of the Company as shareholders.

In addition, our Company’s website which contains corporate information, annual reports, interim reports, quarterly reports and relevant ad hoc announcements and circulars issued by the Company enables the Company’s shareholders and investors to obtain the latest information of the Company.

9. Internal Control

(1) STATEMENT OF THE BOARD OF THE COMPANY

The Board is responsible for the sound establishment and effective operation of the internal control in accordance with the Regulations on Enterprise Internal Control, as well as the effectiveness assessment and fair disclosure of the assessment report of internal control. The Company has been operating according to the requirements of relevant laws and regulations. By establishing an effective internal control system, the Company ensures the safety of the company assets, the truthfulness, accuracy and completeness of financial reports and information disclosed and thus establishes a solid corporate image.

(2) BASIS OF THE ESTABLISHMENT OF INTERNAL CONTROL ON FINANCIAL REPORTING PROCEDURES AND INFORMATION ABOUT THE DEVELOPMENT OF INTERNAL CONTROL SYSTEM

The Company strictly enforces the laws and regulations such as the China Accounting Standards for Business Enterprises, Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control. Through risk identification and internal control benchmarking, it perfects a sound accounting audit system, strengthens the enforcement of accounting policies, improves the processes of various businesses management to ensure the financial reports are legal and compliant, true and complete, and effective and useful.

During the Reporting Period, the Company formulated a number of management systems including the Administrative Measures on Electronic Bank Acceptance Bills, the Administrative Measures on Fund Plan, the Implementation Rules on Basic Accounting Norms and the Implementation Rules on Accounting Record Management, in order to ensure that the process risks of relevant businesses are under control and the internal control is effective.

(3) THE ASSESSMENT REPORT OF INTERNAL CONTROL OF THE COMPANY

The Assessment Report of Internal Control of the Company for the Year 2014 was reviewed and approved by the Board and was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year.

As to the internal control of the Company, it was concluded that: based on the findings on material deficiency in the internal control on financial reporting procedures of the Company, there was no material deficiency in the internal control on financial reporting procedures as at the reference date of the internal control assessment report. The Board is of the opinion that the Company has implemented effective internal control on financial reporting procedures in all

9. Internal Control

material aspects in accordance with the requirements of the Regulations on Enterprise Internal Control and other relevant laws and regulations. Based on the findings on material deficiency in the internal control on non-financial reporting procedures of the Company, no material deficiency was identified by the Company in respect of the internal control on non-financial reporting procedures as at the reference date of the internal control assessment report. No events that may affect the above conclusion on the effectiveness of internal control had occurred during the period from the reference date of internal control assessment report up to the date of issuing the same report.

(4) AUDIT REPORT ON INTERNAL CONTROL

KPMG Huazhen Certified Public Accountants (special general partnership) was engaged to review the effectiveness of the internal control on financial reporting procedures of the Group as at 31 December 2014, and had issued a standard unqualified audit report. The Audit Report on Internal Control was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year.

(5) ESTABLISHMENT AND ENFORCEMENT OF ACCOUNTABILITY SYSTEM FOR MATERIAL ERRORS IN ANNUAL REPORT INFORMATION DISCLOSURE

The Company has formulated the Measures on the Accountability for Material Errors in Annual Report Information Disclosure in 2010 in order to improve the level of regulated operation, strengthen the truthfulness, accuracy, completeness and timeliness of information disclosure and enhance the quality and transparency of the annual report information disclosure.

During the Reporting Period, the Company strictly complied with the requirements under the relevant laws and regulations on annual reports stipulated under No. 2: “Content and Format of Annual Reports” of “Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers” (as revised in 2012) issued by the CSRC and the HKSE Listing Rules in the preparation of 2013 Annual Report which was disclosed after due performance of approval procedures. No material errors were identified in the annual report information disclosure.

10. INDEPENDENT AUDITOR'S REPORT



to the shareholders of

Anhui Conch Cement Company Limited

(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 112 to 266, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

10. INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2015

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated statement of profit or loss for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Turnover	5	60,758,501	55,261,677
Cost of sales and services rendered		(40,560,092)	(37,274,968)
Gross profit		20,198,409	17,986,709
Other revenue	6	1,468,056	1,096,919
Other net income	6	(17,337)	21,109
Selling and marketing costs		(2,936,834)	(2,684,505)
Administrative expenses		(2,686,838)	(2,562,816)
Profit from operations		16,025,456	13,857,416
Finance costs	7(a)	(1,038,936)	(1,160,565)
Share of (losses)/profits of associates		(55,228)	440
Share of loss of joint ventures		(4,250)	(26,122)
Profit before taxation	7	14,927,042	12,671,169
Income tax	8(a)	(3,360,183)	(2,850,165)
Profit for the year		11,566,859	9,821,004
Attributable to:			
Equity shareholders of the Company	11	10,980,917	9,389,298
Non-controlling interests		585,942	431,706
Profit for the year		11,566,859	9,821,004
Earnings per share	13		
– Basic		RMB2.07	RMB1.77
– Diluted		RMB2.07	RMB1.77

The notes on pages 122 to 266 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 39(b).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		11,566,859	9,821,004
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of: financial statements of overseas subsidiaries		(29,630)	(35,143)
Available-for-sale equity securities: net movement in the fair value reserve		987,990	(867,570)
		958,360	(902,713)
Total comprehensive income for the year		12,525,219	8,918,291
Attributable to:			
Equity shareholders of the Company		11,946,858	8,497,066
Non-controlling interests		578,361	421,225
Total comprehensive income for the year		12,525,219	8,918,291

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated statement of financial position at 31 December 2014

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets					
– Investment property	14		32,114		33,198
– Other property, plant and equipment	15(a)		62,469,127		56,276,368
– Lease prepayments	16(a)		4,043,759		3,655,950
Intangible assets	17(a)		2,805,160		2,545,183
Goodwill	18		374,557		299,742
Interest in associates	20		2,207,368		2,114,750
Interest in joint ventures	21		436,776		257,149
Loans and receivables	22		394,873		349,249
Available-for-sale equity securities	23		3,935,395		2,222,333
Deferred tax assets	36(b)		283,477		363,565
			76,982,606		68,117,487
Current assets					
Inventories	24		4,375,977		3,692,690
Other investments	25		–		36,370
Trade receivables	26		4,218,815		7,525,345
Prepayments and other receivables	27		2,152,632		1,975,315
Amounts due from related parties	29		212,754		399,777
Tax recoverable	36(a)		158,707		91,560
Restricted cash deposits			139,485		115,104
Bank deposits with maturity over three months			1,500,000		4,621,900
Cash and cash equivalents	30		12,512,121		6,518,932
			25,270,491		24,976,993

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated statement of financial position at 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

		2014		2013	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	31	4,014,855		3,791,010	
Other payables and accruals	32	7,188,773		6,391,519	
Bank loans and other borrowings	34	2,329,168		2,934,811	
Amounts due to related parties	29	350,316		507,224	
Current portion of long-term payables	37	1,959		51,136	
Current taxation	36(a)	511,936		869,621	
		14,397,007		14,545,321	
Net current assets					
			10,873,484		10,431,672
Total assets less current liabilities					
			87,856,090		78,549,159
Non-current liabilities					
Bank loans and other borrowings	33(a)	17,587,076		19,206,557	
Long-term payables	37	5,617		304,060	
Deferred income	38	514,140		417,097	
Deferred tax liabilities	36(b)	522,173		219,686	
			18,629,006		20,147,400
NET ASSETS					
			69,227,084		58,401,759
CAPITAL AND RESERVES					
Share capital	39(c)	5,299,303		5,299,303	
Reserves		60,550,673		50,464,198	
Total equity attributable to equity shareholders of the Company					
			65,849,976		55,763,501
Non-controlling interests					
			3,377,108		2,638,258
TOTAL EQUITY					
			69,227,084		58,401,759

Approved and authorised for issue by the board of directors on 23 March 2015.

Guo Wen San
Chairman

Wang Jian Chao
Executive Director

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of financial position at 31 December 2014

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets					
– Investment Property	14		32,114		33,198
– Other Property, plant and equipment	15(b)		975,049		1,055,773
– Lease prepayments	16(b)		225,871		233,002
Intangible assets	17(b)		75,240		84,473
Investments in subsidiaries	19		33,359,799		32,020,259
Interest in associates	20		1,902,205		1,734,941
Interest in joint ventures	21		349,564		179,347
Loans and receivables	22		6,275,000		5,410,000
Available-for-sale equity securities	23		3,935,395		2,222,333
Deferred tax assets	36(b)		–		144,067
			47,130,237		43,117,393
Current assets					
Inventories	24		465,491		233,079
Other investments	25		–		36,370
Trade receivables	26		311,257		696,025
Prepayments and other receivables	27		8,498,415		6,595,845
Amounts due from subsidiaries	28		17,688,470		13,110,547
Amounts due from related parties	29		15,387		24,715
Tax recoverable	36(a)		17,486		–
Restricted cash deposits			92,610		91,875
Bank deposits with maturity over three months			1,500,000		4,621,900
Cash and cash equivalents	30		9,716,878		3,928,412
			38,305,994		29,338,768

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of financial position at 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	31	254,735		478,944	
Other payables and accruals	32	1,226,896		741,633	
Bank loans and other borrowings	34	700,000		150,000	
Amounts due to subsidiaries	28	5,261,694		5,935,548	
Amounts due to related parties	29	40,588		257,715	
Current taxation	36(a)	–		535	
		7,483,913		7,564,375	
Net current assets					
			30,822,081		21,774,393
Total assets less current liabilities					
			77,952,318		64,891,786
Non-current liabilities					
Bank loans and other borrowings	33(a)	15,482,555		16,174,801	
Deferred income	38	23,451		25,129	
Deferred tax liabilities	36(b)	192,367		–	
			15,698,373		16,199,930
NET ASSETS					
			62,253,945		48,691,856
CAPITAL AND RESERVES					
	39(a)				
Share capital			5,299,303		5,299,303
Reserves			56,954,642		43,392,553
TOTAL EQUITY					
			62,253,945		48,691,856

Approved and authorised for issue by the board of directors on 23 March 2015.

Guo Wen San
Chairman

Wang Jian Chao
Executive Director

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated statement of changes in equity for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company									Total equity
		Share capital	Share premium	Capital reserve	Exchange reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2013		5,299,303	10,243,790	224,202	(3,152)	2,649,654	448,690	29,675,053	48,537,540	2,265,581	50,803,121
Changes in equity for 2013:											
Profit for the year		-	-	-	-	-	-	9,389,298	9,389,298	431,706	9,821,004
Other comprehensive income	12	-	-	-	(24,662)	-	(867,570)	-	(892,232)	(10,481)	(902,713)
Total comprehensive income		-	-	-	(24,662)	-	(867,570)	9,389,298	8,497,066	421,225	8,918,291
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	(162,293)	(162,293)
Dividends approved in respect of the previous year	39(b)(ii)	-	-	-	-	-	-	(1,324,826)	(1,324,826)	-	(1,324,826)
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	3,448	3,448
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	164,018	164,018
Others		-	-	-	-	-	-	53,721	53,721	(53,721)	-
Balance at 31 December 2013		5,299,303	10,243,790	224,202	(27,814)	2,649,654	(418,880)	37,793,246	55,763,501	2,638,258	58,401,759
Changes in equity for 2014:											
Profit for the year		-	-	-	-	-	-	10,980,917	10,980,917	585,942	11,566,859
Other comprehensive income	12	-	-	-	(22,049)	-	987,990	-	965,941	(7,581)	958,360
Total comprehensive income		-	-	-	(22,049)	-	987,990	10,980,917	11,946,858	578,361	12,525,219
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	(449,537)	(449,537)
Dividends approved in respect of the previous year	39(b)(ii)	-	-	-	-	-	-	(1,854,756)	(1,854,756)	-	(1,854,756)
Acquisition of non-controlling interests		-	-	(5,627)	-	-	-	-	(5,627)	(36,975)	(42,602)
Acquisition of subsidiaries with non-controlling interests	4	-	-	-	-	-	-	-	-	556,525	556,525
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	90,476	90,476
Balance at 31 December 2014		5,299,303	10,243,790	218,575	(49,863)	2,649,654	569,110	46,919,407	65,849,976	3,377,108	69,227,084

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated cash flow statement for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Cash generated from operations	30(b)	21,494,202		17,873,756	
– Income tax paid		(3,839,713)		(2,675,211)	
– Interest paid		(1,129,681)		(1,243,415)	
Net cash generated from operating activities			16,524,808		13,955,130
Investing activities					
Payment for the purchase of property, plant and equipment		(6,222,740)		(6,425,753)	
Proceeds from disposal of property, plant and equipment and lease prepayments		18,357		43,895	
Lease prepayments		(494,858)		(352,540)	
Payment for the purchase of intangible assets		(255,948)		(783,276)	
Loans to related parties		–		(10,210)	
Repayment of loans from related party		–		205,500	
Payment for purchase of					
– available-for-sale equity securities		(395,742)		(81,788)	
– trading financial assets		(45,956)		(34,209)	
Proceeds from sale of trading financial assets		57,868		109,782	
New advances to government		(204,203)		(172,471)	
Repayment of advances from government		104,105		174,166	
New bank deposits with maturity over three months		(5,900,000)		(4,621,900)	
Proceeds from maturity of bank deposits over three months		9,021,900		14,000	

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated cash flow statement for the year ended 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Interest received		418,860		141,195	
Dividends received from an associate		19,418		13,841	
Payment for the investment in an associate		(167,264)		(259,777)	
Payment for the investment in joint ventures		(170,217)		–	
Dividends received from a joint venture		43,072		–	
Acquisitions of subsidiaries, net of cash acquired		(707,258)		(459,630)	
Dividends received from investment in securities		29,492		22,848	
Net cash used in investing activities			(4,851,114)		(12,476,327)

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated cash flow statement for the year ended 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	2014		2013	
		RMB'000	RMB'000	RMB'000	RMB'000
Financing activities					
Payment for acquisition of non-controlling interests		(42,602)		–	
Proceeds from new bank loans and other borrowings		1,041,470		3,018,774	
Repayment of bank loans and other borrowings		(4,054,696)		(4,632,840)	
Dividends paid to non-controlling shareholders of non-wholly owned subsidiaries		(249,538)		(156,413)	
Dividends paid to equity shareholders of the Company	39(b)(ii)	(1,854,756)		(1,324,826)	
Decrease in restricted cash deposits		–		14,692	
Capital contribution from non-controlling interests		90,476		164,018	
Payment of rentals for sale and leaseback of property, plant and equipment		–		(60,156)	
Other payments related to financing activities		(586,349)		(69,199)	
Net cash used in financing activities			(5,655,995)		(3,045,950)
Net increase/(decrease) in cash and cash equivalents			6,017,699		(1,567,147)
Effect of foreign exchange rate changes			(24,510)		(24,895)
Cash and cash equivalents at 1 January	30(a)		6,518,932		8,110,974
Cash and cash equivalents at 31 December	30(a)		12,512,121		6,518,932

The notes on pages 122 to 266 form part of these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Anhui Conch Cement Company Limited (the “Company”) was incorporated in The People’s Republic of China (the “PRC”) on 1 September 1997 as a joint stock limited company. The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group are the manufacture and sale of clinkers and cement products.

The registered office of the Company is No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as trading securities (see note 2(g)); and
- derivative financial instruments (see note 2(h)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- IFRIC 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 December 2013.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligation towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(r) or 2(s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(o)).

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(o)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(x)(iii) and 2(x)(iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(o)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(o)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2 (x)(iii) and 2(x)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

When the investments are derecognized or impaired (see note 2(o)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(n)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Depreciation is calculated to write off the cost of investment property, less their estimated residual value, using the straight-line method over 30 years.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(n)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(n).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leasehold land held for own use under operating leases

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land held for own use under operating leases, which are amortised over the period of lease term on a straight-line basis.

(k) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(o)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	20-30 years
– Plant and machinery	15 years
– Office and other equipment	5 years
– Vehicles	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 2(o)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 2(aa)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(k).

(m) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(o)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- | | |
|------------------------------------|------------|
| - limestone and clay mining rights | 5-30 years |
| - others | 5-10 years |

Both the period and method of amortisation are reviewed annually.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(i)).

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(k). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(o). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(i)).

(o) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(i) *Impairment of investments in debt and equity securities and other receivables (continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(o)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(i) *Impairment of investments in debt and equity securities and other receivables (continued)*

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(o)(i) and 2(o)(ii)).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(iii) *Interim financial reporting and impairment (continued)*

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(p) Inventories

Inventories, other than spare parts and consumables, are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(o)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

In accordance with the rules and regulations in the PRC, the Group has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) *Financial guarantees issued (continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(w)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(w)(iii).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the statement of financial position and consequently recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Repairs and maintenance

Expenditure on repairs and maintenance is charged to profit or loss as and when incurred.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 40 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs and amount of operating costs.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value

In determining the fair value of the financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS

The Group acquired five subsidiaries from independent third parties during the year. The acquired subsidiaries are located in the PRC and are principally engaged in the manufacture and sale of clinkers and cement related products.

During the periods from the respective dates of acquisitions to 31 December 2014, these acquired subsidiaries contributed an aggregate revenue of RMB 718,927,000 and an aggregate loss of RMB 57,331,000 to the Group's results. If the acquisitions had occurred on 1 January 2014, management estimates that the consolidated revenue of the Group for the year ended 31 December 2014 would have been RMB 60,930,326,000, and the consolidated profit for the year would have been RMB 11,525,905,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the respective dates of acquisitions would remain the same even if the acquisitions had all occurred on 1 January 2014.

Name of the company	Voting right	Date of acquisition	Principal activities
Yeafine New Energy Technology Co., Ltd. ("Yeafine New Energy") 邵陽市雲峰新能源科技有限公司	65%	9 February 2014	Manufacture and sale of clinker and cement products
Yeafine Cement Co., Ltd. ("Yeafine Cement") 湖南省雲峰水泥有限公司	65%	9 February 2014	Manufacture and sale of clinker and cement products
Shuicheng Conch Cement Co., Ltd. ("Shuicheng Conch") 水城海螺盤江水泥有限責任公司	40%*	20 March 2014	Manufacture and sale of clinker and cement products
Kunming Hongxi Cement Co., Ltd. ("Kunming Hongxi") 昆明宏熙水泥有限公司	80%	10 May 2014	Manufacture and sale of clinker and cement products
Goldsun (Hunan) Cement Co., Ltd. ("Goldsun Cement") 國產實業(湖南)水泥有限公司	80%	15 December 2014	Manufacture and sale of clinker and cement products

* According to the Articles of Association of Shuicheng Conch, the Group has control over the entity.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

Summary of net assets acquired in Yeafine New Energy, Yeafine Cement and Goldsun Cement, and the goodwill arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,754,826
Lease prepayments	235,448
Intangible assets	102,438
Inventories	81,645
Cash and cash equivalents	33,725
Trade receivables, prepayments and other receivables	356,903
Bank loans and other borrowings	(749,098)
Trade payables and other liabilities	(902,156)
Deferred tax liabilities	(72,431)
Total net identifiable assets of the acquirees	841,300

Goodwill

Goodwill has been recognised as a result of the above acquisitions as follows:

	RMB'000
Total cash consideration transferred	699,648
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	216,467
Fair value of identifiable net assets	(841,300)
Goodwill arising from the above acquisitions	74,815

The goodwill arises from the acquisition represents the control premium paid, the benefits of expected synergies to be achieved from integrating the assets into the Group's existing business, future market development and the acquired workforce.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

Summary of net assets acquired in Shuicheng Conch and Kunming Hongxi, and the negative goodwill arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,059,111
Lease prepayments	117,520
Intangible assets	14,557
Inventories	24,287
Cash and cash equivalents	2,326
Trade receivables, prepayments and other receivables	38,806
Bank loans and other borrowings	(31,250)
Trade payables and other liabilities	(521,158)
Deferred tax liabilities	(35,512)
Total net identifiable assets of the acquirees	668,687

Negative Goodwill

Negative goodwill has been recognised as a result of the above acquisitions as follows:

	RMB'000
Total cash consideration transferred	315,539
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	340,058
Fair value of identifiable net assets	(668,687)
Negative goodwill arising from the above acquisitions	(13,090)

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacture and sale of clinkers and cement products.

Turnover represents the sales value of goods supplied to customers, net of value-added tax and surcharges and service income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014 RMB'000	2013 RMB'000
Sales of clinkers and cement products	58,964,535	54,200,612
Sales of materials and other products	1,145,854	561,742
Service income	648,112	499,323
	60,758,501	55,261,677

The Group's customer base is diversified and there is no single customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are discussed below:

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments based on the region in which the Group's business operates: East China, Central China, South China, West China and Overseas. All segments are primarily engaged in manufacture and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets in the financial statements prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC accounting standards"). Segment liabilities include all liabilities in the financial statements prepared in accordance with PRC accounting standards.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments in accordance with PRC accounting standards.

The measure used for reporting segment profit is profit before taxation in accordance with PRC accounting standards.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

For the year ended 31 December 2014

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b (ii)) RMB'000	Total RMB'000
Revenue from external customers	19,408,818	17,820,834	11,507,809	11,978,299	42,741	60,758,501	-	60,758,501
Inter-segment revenue	2,882,538	16,531,501	98,257	2,721	-	19,515,017	(19,515,017)	-
Reportable segment revenue	22,291,356	34,352,335	11,606,066	11,981,020	42,741	80,273,518	(19,515,017)	60,758,501
Reportable segment profit/(loss)								
(profit before taxation)	1,707,637	12,665,497	3,465,869	2,086,000	(53,273)	19,871,730	(4,944,688)	14,927,042
Interest income	11,406	901,638	2,953	11,262	1,001	928,260	(508,261)	419,999
Interest expense	(157,706)	(945,093)	(108,339)	(256,625)	(10,122)	(1,477,885)	438,949	(1,038,936)
Depreciation and amortisation for the year	(388,259)	(1,811,054)	(597,116)	(1,032,688)	(3,239)	(3,832,356)	4,587	(3,827,769)
Reportable segment assets								
(including investment in associates and joint ventures)	10,342,793	79,588,343	11,455,653	27,623,579	1,583,378	130,593,746	(28,340,649)	102,253,097
Investment in associates and joint ventures	-	423,043	-	2,159,946	61,155	2,644,144	-	2,644,144
Additions to non-current segment assets during the year	848,206	3,332,210	1,030,764	4,735,214	609,682	10,556,076	-	10,556,076
Reportable segment liabilities	6,268,202	23,579,450	3,682,951	13,796,078	1,357,708	48,684,389	(15,658,377)	33,026,012

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

For the year ended 31 December 2013

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b (ii)) RMB'000	Total RMB'000
Revenue from external customers	17,092,406	18,625,169	9,730,784	9,785,009	28,309	55,261,677	-	55,261,677
Inter-segment revenue	1,185,218	11,122,381	68,506	19,556	-	12,395,661	(12,395,661)	-
Reportable segment revenue	18,277,624	29,747,550	9,799,290	9,804,565	28,309	67,657,338	(12,395,661)	55,261,677
Reportable segment profit/(loss) (profit before taxation)	1,493,315	9,316,809	2,246,994	1,902,074	(12,195)	14,946,997	(2,275,828)	12,671,169
Interest income	9,093	579,492	3,102	8,474	37	600,198	(408,252)	191,946
Interest expense	(156,529)	(1,001,353)	(114,624)	(236,708)	(556)	(1,509,770)	349,205	(1,160,565)
Depreciation and amortisation for the year	(384,282)	(1,766,070)	(553,699)	(870,905)	(1,889)	(3,576,845)	2,792	(3,574,053)
Reportable segment assets (including investment in associates and joint ventures)	10,860,756	73,732,172	11,261,689	23,802,789	943,809	120,601,215	(27,506,735)	93,094,480
Investment in associates and joint ventures	-	306,950	-	2,064,949	-	2,371,899	-	2,371,899
Additions to non-current segment assets during the year	283,522	1,887,395	884,973	4,660,647	702,417	8,418,954	-	8,418,954
Reportable segment liabilities	6,456,878	24,194,027	2,975,320	14,406,682	817,412	48,850,319	(14,157,598)	34,692,721

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities

	2014 RMB'000	2013 RMB'000
Revenue		
Elimination of inter-segment revenue	(19,515,017)	(12,395,661)
Profit		
Elimination of inter-segment profits	(4,988,922)	(2,315,731)
Difference between PRC accounting standards and IFRS*	44,234	39,903
	(4,944,688)	(2,275,828)
Assets		
Elimination of inter-segment balances	(28,340,649)	(27,506,735)
Liabilities		
Elimination of inter-segment balances	(16,042,536)	(14,521,023)
Difference between PRC accounting standards and IFRS*	384,159	363,425
	(15,658,377)	(14,157,598)

* The difference mainly arises from deferred income in respect of certain government grants recognised under IFRS.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and joint ventures, loans and receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical locations of the assets or the locations of the operations.

	Revenue from external customers		Specified non-current assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
The PRC	59,265,433	53,810,965	71,325,209	64,760,662
Others	1,493,068	1,450,712	1,438,525	770,927
	60,758,501	55,261,677	72,763,734	65,531,589

6 OTHER REVENUE AND NET INCOME

	2014 RMB'000	2013 RMB'000
Other revenue		
Interest income	419,999	191,946
Subsidy income	1,018,565	882,125
Dividend income from listed securities	29,492	22,848
	1,468,056	1,096,919

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 OTHER REVENUE AND NET INCOME (CONTINUED)

Subsidy income comprises refunds of value-added tax in connection with sales of certain cement products and government grants received.

	Note	2014 RMB'000	2013 RMB'000
Other net income			
Net loss on disposal of fixed assets and lease prepayment		(4,022)	(635)
Net realised and unrealised gains on trading securities		8,083	5,619
Net realised and unrealised gains on derivative financial instruments		21,806	2,556
Net exchange (loss)/gain		(87,991)	6,472
Negative goodwill	4	13,090	–
Others		31,697	7,097
		(17,337)	21,109

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	898,146	1,025,261
Interest on bank advances and other borrowings wholly repayable after five years	187,212	220,504
Total interest expense on financial liabilities not at fair value through profit or loss	1,085,358	1,245,765
Less: interest expense capitalised into construction-in-progress*	(46,422)	(85,200)
	1,038,936	1,160,565

* The borrowing costs have been capitalised at rates of 1.84%~5.78% (2013: 1.43%~5.90%).

	2014 RMB'000	2013 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	362,223	301,588
Salaries, wages and other benefits	2,985,343	2,675,425
	3,347,566	2,977,013

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation is arrived at after charging/(crediting) (continued):

	Note	2014 RMB'000	2013 RMB'000
(c) Other items			
Amortisation			
– interest in leasehold land held for own use under operating leases	16(a)	96,795	84,787
– intangible assets	17(a)	131,734	103,040
Depreciation			
– investment property	14	1,084	991
– property, plant and equipment	15(a)	3,598,156	3,385,235
(Reversal of impairment losses)/ impairment losses			
– trade receivables	26(b)	(400)	–
– prepayments and other receivables		(180)	–
– property, plant and equipment	15(a)	–	160,687
Auditors' remuneration			
– audit services		4,990	4,840
– other services		19	19

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2014 RMB'000	2013 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	3,424,448	2,895,665
(Over)/under-provision in respect of prior years	(9,567)	14,527
	3,414,881	2,910,192
Deferred tax		
Origination and reversal of temporary differences	(54,698)	(60,027)
	3,360,183	2,850,165

No provision for Hong Kong Profits Tax is made for 2013 and 2014 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (2013: 25%) on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司 (Note (i))	15%
Xingye Kuyang Conch Cement Co., Ltd. ("Kuyang Conch") 興業葵陽海螺水泥有限責任公司 (Note (i))	15%
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司 (Note (i))	15%
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司 (Note (i))	15%
Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司 (Note (i))	15%

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

Guangyuan Conch Cement Co., Ltd. (“Guangyuan Conch”) 廣元海螺水泥有限責任公司 (Note (i))	15%
Chongqing Conch Cement Co., Ltd. (“Chongqing Conch”) 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. (“Liquan Conch”) 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. (“Guiyang Conch”) 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. (“Guiding Conch”) 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. (“Zunyi Conch”) 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. (“Qianyang Conch”) 千陽海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (“Fenghuangshan”) 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. (“Jinlinghe”) 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Guangxi Sihongmao Co., Ltd. (“Sihongmao”) 廣西四合工貿有限責任公司 (Note (i))	15%
Longling Conch Cement Co., Ltd. (“Longling Conch”) 龍陵海螺水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. (“Liukuangruian”) 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. (“Qianxian Conch”) 乾縣海螺水泥有限責任公司 (Note (i))	15%
Qianxinan Resource Development Co., Ltd. (“Qianxinan”) 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. (“Nanwei Cement”) 四川南威水泥有限公司 (Note (i))	15%
Shuicheng Conch (Note (i))	15%
Liangping Conch Cement Co., Ltd (“Liangping Conch”) 梁平海螺水泥有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. (“Hami Construction”) 哈密弘毅建材有限責任公司 (Note (ii))	12.5%

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

Notes:

- (i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities' notices, these companies were entitled to a 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Qianyang Conch, Fenghuangshan, Jinlinghe, Sihongmao and Longling Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2012 to 31 December 2020. Liukuangruian and Qianxian Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2013 to 31 December 2020. Qianxinan, Nanwei Cement, Shuicheng Conch and Liangping Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2014 to 31 December 2020. The remaining companies are entitled to a preferential income tax rate of 15%, effective from 1 January 2011 to 31 December 2020.
- (ii) In 2012, Hami Construction was recognised by the local tax authorities as an enterprise located in under-developed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year in which revenue is generated. In accordance with local tax authority's notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2014 RMB'000	2013 RMB'000
Profit before taxation	14,927,042	12,671,169
Notional tax on profit before taxation calculated at 25% (2013: 25%)	3,731,761	3,167,792
Tax effect of subsidiaries subject to tax rates other than 25%	(424,620)	(318,881)
Tax effect of non-deductible expenses	21,322	9,133
Tax effect of non-taxable income	(26,375)	(23,034)
Tax effect of unused tax losses not recognised	1,073	628
Reversal of tax effect of prior years' unused tax losses recognised	69,862	-
(Over)/under-provision in respect of prior years	(9,567)	14,527
Others	(3,273)	-
Actual tax expense	3,360,183	2,850,165

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2014 Total RMB'000
Chairman					
Guo Wensan*	-	-	-	-	-
Executive directors					
Wang Jianchao (appointed on 28 May 2014)	-	165	789	28	982
Zhang Mingjing	-	149	653	28	830
Zhou Bo	-	151	596	27	774
Guo Jingbin* (resigned on 20 June 2014)	-	-	-	-	-
Non-executive director					
Guo Jingbin* (appointed on 20 June 2014)	-	-	-	-	-
Independent non-executive directors					
Wong Kun Kau	-	132	-	-	132
Tai Kwok Leung	-	132	-	-	132
Fang Junwen* (resigned on 20 June 2014)	-	-	-	-	-
Supervisors					
Wang Jun*	-	-	-	-	-
Zhu Yuming*	-	-	-	-	-
Ding Feng	-	135	502	26	663
	-	864	2,540	109	3,513

* No remuneration is paid or payable by the Group for the year. In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2013 Total RMB'000
Chairman					
Guo Wensan*	-	-	-	-	-
Executive directors					
Ji Qinying (resigned on 1 November 2013)	-	60	429	10	499
Zhang Mingjing	-	147	730	26	903
Guo Jingbin*	-	-	-	-	-
Wu Jianping (retired on 28 May 2013)	-	36	-	10	46
Zhou Bo (appointed on 28 May 2013)	-	146	614	26	786
Independent non-executive directors					
Fang Junwen* (appointed on 28 May 2013)	-	-	-	-	-
Ding Meicai* (retired on 28 May 2013)	-	-	-	-	-
Wong Kun Kau	-	132	-	-	132
Tai Kwok Leung (appointed on 28 May 2013)	-	132	-	-	132
Kang Woon* (retired on 28 May 2013)	-	-	-	-	-
Supervisors					
Wang Jun*	-	-	-	-	-
Wang Yanmou* (retired on 28 May 2013)	-	-	-	-	-
Zhu Yuming* (appointed on 28 May 2013)	-	-	-	-	-
Ding Feng	-	132	467	24	623
	-	785	2,240	96	3,121

* No remuneration is paid or payable by the Group for the year. In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2013: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	297	492
Discretionary bonuses	1,249	2,242
Retirement plan contributions	54	76
	1,600	2,810

The emoluments of the two (2013: three) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	3

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB606,161,000 (2013: RMB360,720,000) which has been dealt with in the financial statements of the Company.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (CONTINUED)

Reconciliation of the above amount to the Company's profit for the year:

	2014 RMB'000	2013 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	606,161	360,720
Final dividends from subsidiaries, a joint venture and an associate attributable to the profits of the previous financial year, approved during the year:		
– From subsidiaries	13,783,912	6,816,779
– From a joint venture	22,364	20,708
– From an associate	16,418	10,841
Company's profit for the year (note 39(a))	14,428,855	7,209,048

Details of dividends paid and payable to equity shareholders of the Company are set out in note 39(b).

12 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2014			2013		
	Before-tax amount RMB'000	(Note 36(a)) Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	(Note 36(a)) Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	(29,630)	-	(29,630)	(35,143)	-	(35,143)
Available-for-sale equity securities: net movement in fair value reserve	1,317,320	(329,330)	987,990	(1,156,760)	289,190	(867,570)
Other comprehensive income	1,287,690	(329,330)	958,360	(1,191,903)	289,190	(902,713)

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Components of other comprehensive income, including reclassification adjustments

	2014 RMB'000	2013 RMB'000
Available-for-sale equity securities:		
Changes in fair value recognised during the year	1,317,320	(1,156,760)
Net deferred tax (charged)/credited to other comprehensive income (Note 36(b))	(329,330)	289,190
Net movement in the fair value reserve during the year recognised in other comprehensive income	987,990	(867,570)

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2014 of RMB 10,980,917,000 (2013: RMB 9,389,298,000) and the weighted average number of shares in issue during the year ended 31 December 2014 of 5,299,303,000 shares (2013: 5,299,303,000 shares).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INVESTMENT PROPERTY

	The Group and the Company
	RMB'000
Cost:	
At 31 December 2013 and 1 January 2014	34,189
Additions	–
At 31 December 2014	34,189
Accumulated depreciation:	
At 31 December 2013 and 1 January 2014	991
Charge for the year	1,084
At 31 December 2014	2,075
Net book value:	
At 31 December 2014	32,114
At 31 December 2013 and 1 January 2014	33,198

During the year 2014, the Group leased out a property with carrying value of RMB 32,114,000 under operating lease and classified the property as an investment property accordingly. The investment property is subsequently measured using the cost model.

The investment property is valued by the management to be RMB 33,105,000 as at 31 December 2014 using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment property. The investment property has not been valued by an external independent appraiser in 2014.

The rental income earned by the Group during the year from its investment property, all of which are leased out under operating leases, amounted to RMB4,050,000 (2013: RMB4,050,000). Direct operating expenses arising from the investment property amounted to RMB1,084,000 (2013: RMB991,000).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2013	26,412,020	36,804,760	600,779	1,277,459	3,311,066	68,406,084
Acquisition through business combinations	70,482	506,029	187	455	27,002	604,155
Other additions	30,466	188,763	4,024	200,712	6,265,561	6,689,526
Transfer from construction-in-progress	2,297,102	2,548,445	6,477	2,678	(4,854,702)	-
Disposals	(119,486)	(149,817)	(5,636)	(15,973)	-	(290,912)
Transfer to investment property	(34,189)	-	-	-	-	(34,189)
At 31 December 2013	28,656,395	39,898,180	605,831	1,465,331	4,748,927	75,374,664
At 1 January 2014	28,656,395	39,898,180	605,831	1,465,331	4,748,927	75,374,664
Acquisition through business combinations	775,680	908,120	2,997	5,218	1,121,922	2,813,937
Other additions	45,853	26,233	32,350	232,382	6,662,059	6,998,877
Transfer from construction-in-progress	3,699,327	3,607,576	2,102	5,275	(7,314,280)	-
Disposals	(2,935)	(62,847)	(17,097)	(16,239)	-	(99,118)
At 31 December 2014	33,174,320	44,377,262	626,183	1,691,967	5,218,628	85,088,360

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2013	3,818,137	10,783,550	464,690	732,379	-	15,798,756
Charge for the year	828,915	2,334,985	8,309	213,026	-	3,385,235
Impairment loss	88,716	71,971	-	-	-	160,687
Written back on disposals	(103,112)	(122,829)	(5,362)	(15,079)	-	(246,382)
At 31 December 2013	4,632,656	13,067,677	467,637	930,326	-	19,098,296
At 1 January 2014	4,632,656	13,067,677	467,637	930,326	-	19,098,296
Charge for the year	868,119	2,501,138	28,214	200,685	-	3,598,156
Written back on disposals	(904)	(45,912)	(16,227)	(14,176)	-	(77,219)
At 31 December 2014	5,499,871	15,522,903	479,624	1,116,835	-	22,619,233
Net book value:						
At 31 December 2014	27,674,449	28,854,359	146,559	575,132	5,218,628	62,469,127
At 31 December 2013	24,023,739	26,830,503	138,194	535,005	4,748,927	56,276,368

As at 31 December 2014, the carrying amount of property, plant and equipment pledged as security against the Group's current borrowings of RMB650,000,000 (2013: non-current borrowings of RMB650,000,000) amounted to approximately RMB311,728,000 (2013: RMB 351,544,000).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2013	693,188	898,439	14,036	40,524	71,208	1,717,395
Additions	79,855	17,447	2,321	8,229	38,533	146,385
Transfer from construction-in-progress	64,405	39,278	-	-	(103,683)	-
Disposals	(484)	(2,793)	(1,368)	(3,664)	-	(8,309)
Transfer to investment property	(34,189)	-	-	-	-	(34,189)
At 31 December 2013	802,775	952,371	14,989	45,089	6,058	1,821,282
At 1 January 2014	802,775	952,371	14,989	45,089	6,058	1,821,282
Additions	1,517	6,403	2,948	797	5,761	17,426
Transfer from construction-in-progress	588	1,659	-	-	(2,247)	-
Disposals	-	(2,913)	(835)	(86)	-	(3,834)
At 31 December 2014	804,880	957,520	17,102	45,800	9,572	1,834,874

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2013	206,013	426,578	13,108	21,507	-	667,206
Charge for the year	35,303	62,840	943	5,908	-	104,994
Written back on disposals	(399)	(1,508)	(1,299)	(3,485)	-	(6,691)
At 31 December 2013	240,917	487,910	12,752	23,930	-	765,509
At 1 January 2014	240,917	487,910	12,752	23,930	-	765,509
Charge for the year	32,224	55,826	967	6,828	-	95,845
Written back on disposals	-	(1,280)	(231)	(18)	-	(1,529)
At 31 December 2014	273,141	542,456	13,488	30,740	-	859,825
Net book value:						
At 31 December 2014	531,739	415,064	3,614	15,060	9,572	975,049
At 31 December 2013	561,858	464,461	2,237	21,159	6,058	1,055,773

As at 31 December 2014, the carrying amount of property, plant, and equipment pledged as security against the Company's current borrowings of RMB650,000,000 (2013: non-current borrowings of RMB650,000,000) amounted to approximately RMB311,728,000 (2013: RMB351,544,000).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 LEASE PREPAYMENTS

Lease prepayments represent interest in leasehold land held for own use under operating leases.

(a) The Group

	Interest in leasehold land held for own use under operating leases RMB'000
Cost:	
At 1 January 2013	3,674,321
Acquisitions through business combination	72,120
Additions	377,022
At 31 December 2013	4,123,463
At 1 January 2014	4,123,463
Acquisitions through business combination	352,968
Additions	132,116
Disposals	(573)
At 31 December 2014	4,607,974

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 LEASE PREPAYMENTS (CONTINUED)

(a) The Group (continued)

	Interest in leasehold land held for own use under operating leases RMB'000
Accumulated amortisation:	
At 1 January 2013	382,726
Charge for the year	84,787
Written back on disposals	–
At 31 December 2013	467,513
At 1 January 2014	467,513
Charge for the year	96,795
Written back on disposals	(93)
At 31 December 2014	564,215
Net book value:	
At 31 December 2014	4,043,759
At 31 December 2013	3,655,950

As at 31 December 2014, the carrying amount of interest in leasehold land held for own use under operating leases pledged as security against the Group's current borrowings of RMB650,000,000 (2013: non-current borrowings of RMB650,000,000 and current borrowings of RMB10,000,000) amounted to approximately RMB161,800,000 (2013: RMB168,044,000 and RMB7,084,000 respectively).

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2014 was approximately RMB77,411,000. The directors are of the opinion that the Group is entitled to legally occupy or use these land.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 LEASE PREPAYMENTS (CONTINUED)

(b) The Company

	Interest in leasehold land held for own use under operating leases RMB'000
Cost:	
At 1 January 2013	275,764
Additions	31,396
At 31 December 2013	307,160
At 1 January 2014	307,160
Additions	–
At 31 December 2014	307,160
Accumulated amortisation:	
At 1 January 2013	67,331
Charge for the year	6,827
At 31 December 2013	74,158
At 1 January 2014	74,158
Charge for the year	7,131
At 31 December 2014	81,289
Net book value:	
At 31 December 2014	225,871
At 31 December 2013	233,002

As at 31 December 2014, the carrying amount of interest in leasehold land held for own use under operating leases pledged as security against the Company's current borrowings of RMB650,000,000 (2013: non-current borrowings of RMB650,000,000) amounted to approximately RMB161,800,000 (2013: RMB168,044,000).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INTANGIBLE ASSETS

(a) The Group

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2013	2,130,008	33,909	2,434	2,166,351
Acquisitions through business combination	45,816	–	–	45,816
Additions	700,850	386	16	701,252
At 31 December 2013	2,876,674	34,295	2,450	2,913,419
At 1 January 2014	2,876,674	34,295	2,450	2,913,419
Acquisitions through business combination	116,365	–	630	116,995
Additions	241,239	8,125	25,352	274,716
At 31 December 2014	3,234,278	42,420	28,432	3,305,130
Accumulated amortisation:				
At 1 January 2013	256,659	7,459	1,078	265,196
Charge for the year	101,551	1,378	111	103,040
At 31 December 2013	358,210	8,837	1,189	368,236
At 1 January 2014	358,210	8,837	1,189	368,236
Charge for the year	128,332	2,099	1,303	131,734
At 31 December 2014	486,542	10,936	2,492	499,970
Net book value:				
At 31 December 2014	2,747,736	31,484	25,940	2,805,160
At 31 December 2013	2,518,464	25,458	1,261	2,545,183

Note: Others mainly represented the acquisition cost for softwares, the rights of using maritime space and emission rights.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its limestone mining rights. The aggregate carrying value of such limestone mining rights of the Group as at 31 December 2014 was approximately RMB26,712,000. The directors are of the opinion that the Group is entitled to legally use these limestone mining rights.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INTANGIBLE ASSETS (CONTINUED)

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2013	123,261
Additions	2,070
At 31 December 2013	125,331
At 1 January 2014	125,331
Additions	–
At 31 December 2014	125,331
Accumulated amortisation:	
At 1 January 2013	30,234
Charge for the year	10,624
At 31 December 2013	40,858
At 1 January 2014	40,858
Charge for the year	9,233
At 31 December 2014	50,091
Net book value:	
At 31 December 2014	75,240
At 31 December 2013	84,473

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 GOODWILL

	Note	The Group	
		2014 RMB'000	2013 RMB'000
Carrying amount:			
At 1 January		299,742	212,389
Acquisitions through business combinations	4	74,815	87,353
At 31 December		374,557	299,742

Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (being subsidiaries acquired in each acquisition). Such group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a five-year period approved by management and pre-tax discount rate of 13.38% that reflects current market assessment of the time value of money and specific risks relating to the Group.

19 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	33,407,299	32,067,759
Less: impairment	(47,500)	(47,500)
	33,359,799	32,020,259

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2014 are as follows (Hong Kong dollars referred to as “HK\$”):

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司	RMB 171,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司	RMB 30,000,000	94.2%	76.2%	18%	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	RMB 742,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司	RMB 35,000,000	98.71%	98.71%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限責任公司	RMB 60,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司	RMB 15,000,000	100%	–	100%	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司	RMB 15,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司	RMB 5,000,000	100%	100%	-	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	RMB 590,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司	RMB 14,000,000	76%	76%	-	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽縱陽海螺水泥股份有限公司	RMB 410,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	-	Inactive
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Wenzhou Conch Cement Co., Ltd. ("Wenzhou Conch") 溫州海螺水泥有限公司	RMB 50,000,000	100%	95%	5%	Inactive
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限責任公司	RMB 16,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西廬山海螺水泥有限公司	RMB 31,420,000	100%	100%	–	Manufacture and sale of clinker and cement products
Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司	RMB 170,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 273,250,000	100%	100%	–	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	-	100%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 70,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 105,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	-	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 406,500,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 660,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 400,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Kuiyang Conch 興業葵陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Xinning Conch 扶綬新寧海螺水泥有限責任公司	RMB 328,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司	RMB 30,000,000	100%	100%	–	Provision of construction and installation services for industrial purposes

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Notes to the financial statements (continued)

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Xing'an Conch 興安海螺水泥有限責任公司	RMB 350,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	100%	-	Manufacture and sale of clinker and cement products and provision of loading services
Beiliu Conch 北流海螺水泥有限責任公司	RMB 450,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yangzhou Conch Cement Co., Ltd. ("Yangzhou Conch") 揚州海螺水泥有限責任公司	RMB 210,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 457,500,000	100%	100%	-	Manufacture and sale of clinker and cement products

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 421,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Construction Material International Trading Co. Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司	RMB 10,000,000	100%	100%	–	Export sales of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑料制品有限公司	RMB 30,000,000	100%	100%	–	Manufacture and sale of cement packaging
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑料包裝有限公司	RMB 53,554,100	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Conch Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司	RMB 40,000,000	100%	100%	–	Logistic services
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑料包裝有限責任公司	RMB 6,000,000	100%	100%	–	Manufacture and sale of cement packaging

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Notes to the financial statements (continued)

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 113,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Pingliang Conch 平涼海螺水泥有限責任公司	RMB 470,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 290,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yueqing Conch Cement Co., Ltd. ("Yueqing Conch") 樂清海螺水泥有限責任公司	RMB 150,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 350,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Guangyuan Conch 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Company") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Chongqing Conch 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 165,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Lu'an Conch Cement Co., Ltd. ("Lu'an Conch") 六安海螺水泥有限責任公司	RMB 89,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch 達州海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liquan Conch 禮泉海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianyang Conch 千陽海螺水泥有限責任公司	RMB 270,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	–	100%	Manufacture and sale of clinker and cement products

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 180,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑料包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Longling Conch 龍陵海螺水泥有限責任公司	RMB 225,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑料包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Guiyang Conch* 貴陽海螺盤江水水泥有限責任公司	RMB 580,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiding Conch* 貴定海螺盤江水水泥有限責任公司	RMB 460,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Zunyi Conch* 遵義海螺盤江水水泥有限責任公司	RMB 530,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司	RMB 50,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

* Pursuant to the Articles of Association of these companies, the voting rights of the Group in these companies are 60%.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Sihegongmao 廣西四合工貿有限責任公司	RMB 120,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料有限公司	RMB 100,000,000	70%	70%	-	Manufacture and sale of refractory material
Tongren Conch Panjiang Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司	RMB 255,000,000	51%	51%	-	Manufacture and sale of clinker and cement products
Fenghuangshan 寶雞眾喜鳳凰山水泥有限公司	RMB 108,800,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jinlinghe 寶雞市眾喜金陵河水泥有限公司	RMB 112,376,000	100%	100%	-	Manufacture and sale of clinker and cement products
Qianxian Conch 乾縣海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Liukuangruian 貴州六礦瑞安水泥有限公司	RMB 477,450,000	51%	51%	-	Manufacture and sale of clinker and cement products
Liangping Conch 梁平海螺水泥有限責任公司	RMB 300,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Qianxinan 黔西南州發展資源開發有限公司	RMB 210,000,000	51%	51%	–	Manufacture and sale of clinker and cement products
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司	RMB 30,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Nanwei Cement 四川南威水泥有限公司	RMB 168,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司	RMB 50,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Hami Construction 哈密弘毅建材有限責任公司	RMB 100,000,000	80%	80%	–	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Guangxi Lingyun Tonghong Cement Co., Ltd. ("Lingyun Tonghong") 廣西凌雲通鴻水泥有限公司	RMB 80,000,000	80%	80%	-	Manufacture and sale of clinker and cement products
Maoming Dadi Cement Co., Ltd. ("Maoming Dadi") 茂名市大地水泥有限公司	RMB 60,000,000	67%	67%	-	Manufacture and sale of clinker and cement products
Jinxian Conch Cement Co., Ltd. ("Jinxian Conch") 進賢海螺水泥有限責任公司	RMB 42,000,000	70%	70%	-	Manufacture and sale of clinker and cement products
Linxia Conch Cement Co., Ltd. ("Linxia Conch") 臨夏海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Conch International Holding(HK) Co., Ltd. ("Conch International") 海螺國際控股(香港)有限公司	HK\$ 300,000,000 /HK \$15,200,000	100%	100%	-	Investment and trading
Conch Material Trading Co., Ltd. ("Conch Material") 安徽海螺物資貿易有限責任公司	RMB 50,000,000	100%	100%	-	Sale of clinker and cement products, trading of coal
Wuxi Conch Sales Cement Co., Ltd. ("Wuxi Sales") 無錫海螺水泥銷售有限公司	RMB 100,000,000	100%	100%	-	Sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Yingjiangyunhan Cement Co., Ltd. ("Yingjiangyunhan") 盈江允罕水泥有限公司	RMB 30,000,000	90%	90%	–	Manufacture and sale of clinker and cement products
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑料包裝有限責任公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of cement packaging
Yeafing New Energy 邵陽市雲峰新能源科技有限公司	RMB 120,000,000	65%	65%	–	Sale and development of profile and related products
Yeafing Cement 湖南省雲峰水泥有限公司	RMB 93,000,000	65%	65%	–	Manufacture and sale of clinker and cement products
Shuicheng Conch 水城海螺盤江水泥有限責任公司	RMB 507,600,000	40%	40%	–	Manufacture and sale of clinker and cement products
Kunming Hongxi 昆明宏熙水泥有限公司	USD 30,506,700	80%	80%	–	Manufacture and sale of clinker and cement products
Goldsun Cement 國產實業(湖南)水泥有限公司	USD 74,800,000	80%	80%	–	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established in the Republic of Indonesia, at 31 December 2014 are as follows (United States dollars referred to as “USD”):

Name of company	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
PT Conch Cement Indonesia ("Indonesia Conch") 印尼海螺水泥有限公司	USD 51,000,000	75%	75%	-	Investment and trading
PT Conch South Kalimantan Cement ("Indonesia South Conch") 南加裡曼丹海螺水泥有限公司	USD 50,000,000	71.25%	-	95%	Manufacture and sale of clinker and cement products
PT Conch International Trade Indonesia ("Indonesia International Trade Conch") 印尼海螺國際貿易有限公司	USD 1,000,000	100%	10%	90%	Investment and trading
PT Conch Manos South Sulawesi Mine ("South Sulawesi Conch") 南蘇拉威西馬諾斯海螺礦山有限公司	USD 1,000,000	67.5%	-	90%	Mining and related service
PT Conch Maros Cement Indonesia ("Maros Cement") 印尼馬諾斯水泥有限公司	USD 50,000,000 /-	100%	-	100%	Manufacture and sale of clinker and cement products
PT Conch Barru Cement Indonesia ("Barru Cement") 印尼巴魯海螺水泥有限公司	USD 50,000,000 /-	100%	-	100%	Manufacture and sale of clinker and cement products

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

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19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to the subsidiaries of the Group which have material non-controlling interests (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 RMB'000	2013 RMB'000
NCI percentage	1.29%~60%	1.29%~50%
Current assets	5,965,598	5,135,347
Non-current assets	16,112,008	11,293,982
Current liabilities	(8,464,860)	(6,079,609)
Non-current liabilities	(3,815,844)	(2,571,178)
Net assets	9,796,902	7,778,542
Carrying amount of NCI	3,377,108	2,638,258
Revenue	12,541,363	9,710,269
Profit for the year	1,680,863	1,156,886
Total comprehensive income	1,650,933	1,121,743
Total comprehensive income allocated to NCI	578,361	421,225
Dividend paid to NCI	449,537	162,293

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN ASSOCIATES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At cost:				
– listed in the PRC	–	–	1,852,534	1,685,270
– unlisted	–	–	49,671	49,671
Share of net assets	1,780,887	1,676,010	–	–
Goodwill	426,481	438,740	–	–
	2,207,368	2,114,750	1,902,205	1,734,941

The following list contains only the particulars of material associates, all of which are operating in the PRC (United States dollars referred to as “USD”):

Name of associate	Particulars of registered and paid up capital	Listed/ unlisted Company	Proportion of ownership interest			Principal activities
			Listed/ unlisted Company	Group's effective interest	Held by the Company	
Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") 新疆青松建材化工(集團)股份有限公司(note (a))	RMB 1,378,790,086	Listed	28.17%	23.82%	4.35%	Manufacture and sale of building materials and chemicals products
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司	USD 15,000,000	Unlisted	40%	40%	–	Manufacture and sale of cement related products

Note:

- (a) In 2014, the Group acquired additional 43,633,877 shares of Qingsong Building Materials and Chemicals at a consideration of RMB167,264,000 through the Shanghai Stock Exchange (“SSE”). As a result, the Group held 388,354,266 shares, or 28.17% equity interests of Qingsong Building Materials and Chemicals as at 31 December 2014.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information of the associates, extracted from the latest public financial information of these associates, adjusted for fair value and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Qingsong Building Materials and Chemicals	
	2014 RMB'000	2013 RMB'000
Gross amounts of the associate		
Current assets	3,140,077	2,685,996
Non-current assets	9,221,530	7,132,512
Current liabilities	(4,078,892)	(1,802,625)
Non-current liabilities	(2,656,329)	(2,414,728)
Equity	5,626,386	5,601,155
Equity attributable to equity shareholders of the associate	5,075,255	5,310,110
Revenue	2,664,072	2,322,085
(Loss)/profit from continuing operations	(252,267)	31,757
Other comprehensive income	-	-
Total comprehensive income	(252,267)	31,757
Fair value adjustments	(33,178)	(33,178)
Dividend received from the associate	19,418	13,841
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	5,075,255	5,310,110
Fair value adjustments	1,025,365	1,058,543
Group's effective interest	28.17%	25%
Group's share of net assets of the associate	1,733,465	1,626,209
Goodwill	426,481	438,740
Carrying amount in the consolidated financial statements		
	2,159,946	2,064,949

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN ASSOCIATES (CONTINUED)

	Other associate	
	2014 RMB'000	2013 RMB'000
Gross amounts of the associate		
Current assets	53,875	63,416
Non-current assets	52,515	58,526
Current liabilities	7,829	(1,777)
Equity	114,219	120,165
Revenue	70,051	64,889
(Loss)/profit from continuing operations	(5,947)	139
Other comprehensive income	-	-
Total comprehensive income	(5,947)	139
Dividend received from the associate	-	-
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	114,219	120,165
Group's effective interest	40%	40%
Carrying amount in the consolidated financial statements		
	47,422	49,801

21 INTEREST IN JOINT VENTURES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	-	-	349,564	179,347
Share of net assets	436,776	257,149	-	-
	436,776	257,149	349,564	179,347

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 INTEREST IN JOINT VENTURES (CONTINUED)

Details of the Group's interest in the joint venture, which is unlisted and operating in the PRC and overseas, at 31 December 2014 are as follows:

Name of joint venture	Particulars of registered/ issued capital and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Equipment”) 安徽海螺川崎裝備製造有限公司	RMB348,000,000	50%	50%	–	Provision of installation and repair services of machinery
Sino-Myanmar International Trading Co., Ltd. (“Sino-Myanmar International”) 中緬(蕪湖)國際貿易有限公司	USD65,000,000 /USD18,000,000	45%*	45%	–	Export and import business
PT. SDIC Papua Cement Indonesia (“Papua Cement”) 印尼巴布亞水泥有限公司	USD80,000,000 /USD9,800,000	49%*	49%	–	Manufacture and sale of clinker and cement product
Myanmar Conch Cement Company Limited (“Myanmar Conch”) 緬甸海螺水泥有限責任公司	USD20,000,000 /-	45%*	45%	–	Manufacture and sale of clinker and cement product

* According to the Articles of Association of these three entities, the Group jointly control these entities, together with other third parties.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 INTEREST IN JOINT VENTURES (CONTINUED)

Summary financial information of the joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2014 RMB'000	2013 RMB'000
Gross amounts of joint ventures		
Current assets	708,892	358,495
Non-current assets	646,950	640,484
Current liabilities	(498,016)	(533,545)
Equity	857,826	465,434
Included in the above assets and liabilities:		
Cash and cash equivalents	264,152	61,577
Current financial liabilities (excluding trade and other payable and provisions)	–	(180,000)
Revenue	626,422	625,972
Profit from continuing operations	63,718	57,888
Total comprehensive income	63,718	57,888
Dividend received from the joint ventures	43,072	–
Included in the above profit:		
Depreciation and amortisation	(33,298)	(29,916)
Interest income	72	424
Interest expense	(11,838)	(10,563)
Income tax expense	(10,807)	(10,216)

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 INTEREST IN JOINT VENTURES (CONTINUED)

	2014 RMB'000	2013 RMB'000
Reconciled to the Group's interest in joint ventures		
Gross amounts of net assets	857,826	465,434
Group's effective interest	45%-50%	50%
Other adjustment	20,027	3,528
Group's share of net assets	436,776	257,149
Carrying amount in the consolidated financial statements		
	436,776	257,149

22 LOANS AND RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Loans and receivables	633,536	533,438	6,275,000	5,410,000
Less: current portion of loans and receivables (note 27)	(238,663)	(184,189)	-	-
	394,873	349,249	6,275,000	5,410,000

As at 31 December 2014, loans and receivables of the Group represent advances made to local government authorities of which RMB339,000,000 (2013: RMB353,000,000) are unsecured, bear interest at rates of 6.15%~6.65% (2013: 5.76%~7.29%) per annum, and repayable from 2015 to 2018. The remaining balance of RMB294,536,000 (2013: RMB180,438,000) is unsecured, interest free and repayable in 2015 and 2016.

As at 31 December 2014, loans and receivables of the Company represent loans to subsidiaries, which bear interest at a rate of 4.90%~6.90% per annum and are repayable from 2015 to 2022.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Available-for-sale equity securities		
– listed in the PRC	3,935,395	2,222,333

All available-for-sale equity securities held by the Group and the Company are listed either on Shanghai Stock Exchange (“SSE”) or the Shenzhen Stock Exchange (“SZSE”). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2014.

24 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Raw materials	1,880,896	1,734,644	91,088	74,330
Work in progress	172,034	178,915	3,796	4,063
Finished goods	1,888,804	1,384,270	71,646	52,679
Spare parts	434,243	394,861	298,961	102,007
	4,375,977	3,692,690	465,491	233,079

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories recognised as expenses	39,684,532	36,552,189

All of the inventories are expected to be recovered within one year.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 OTHER INVESTMENTS

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Listed equity securities at fair value		
– listed in the PRC	–	36,370

All trading securities held by the Group are listed on the SSE and measured with reference to the respective quoted market prices as at the statement of financial position date. The Group disposed of all trading securities in 2014.

26 TRADE RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	318,910	349,276	13,299	3,922
Less: allowance for doubtful debts (note 26(b))	(8,982)	(9,858)	(102)	(434)
	309,928	339,418	13,197	3,488
Bank acceptance notes receivable (note 26(d))	3,895,387	7,185,927	298,060	692,537
Commercial acceptance notes receivable	13,500	–	–	–
	4,218,815	7,525,345	311,257	696,025

All of the trade receivables are expected to be recovered within one year.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

26 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis

- (i) Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on due dates as of the statement of financial position date:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current	4,212,919	7,516,703	311,257	696,025
Overdue within 60 days	5,896	8,642	–	–
	4,218,815	7,525,345	311,257	696,025

Trade debtors are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 1 year from the date of issuance.

Further details on the Group's credit policy are set out in note 40(a).

- (ii) Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on invoice issuance dates as of the statement of financial position date:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year (inclusive)	4,218,815	7,525,345	311,257	696,025

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

26 TRADE RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and notes receivable

Impairment losses in respect of trade debtors and notes receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and notes receivable directly (see note 2(o)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	9,858	9,858	434	434
Reversal of impairment losses	(400)	–	–	–
Uncollectible amounts written off	(476)	–	(332)	–
At 31 December	8,982	9,858	102	434

At 31 December 2014, none of the Group's and the Company's trade receivables were individually determined to be impaired (2013: Nil).

(c) Trade debtors and notes receivable that are not impaired

The ageing analysis of trade debtors and notes receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	4,212,919	7,516,703	311,257	696,025
Overdue within 60 days (inclusive)	5,896	8,642	–	–
	4,218,815	7,525,345	311,257	696,025

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

26 TRADE RECEIVABLES (CONTINUED)

(c) Trade debtors and notes receivable that are not impaired (continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Bank acceptance notes receivables

As at 31 December 2014, the Group endorsed the undue bank acceptance notes receivable of RMB1,617,233,000 (2013: RMB1,508,268,000) to its suppliers to settle trade payables of the same amount and derecognised these notes receivables and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts to the holders of these notes. As at 31 December 2014, the maximum exposure to loss from its continuous involvement represents the amount of notes receivable of RMB1,617,233,000 (2013: RMB1,508,268,000) which the Group endorsed to its suppliers. These undue notes receivable were due within 6 months.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Purchase prepayments	529,099	724,537	92,538	219,406
Current portion of loans and receivables (note 22)	238,663	184,189	–	–
Loans to related parties (note below)	27,960	27,960	–	3,067
Loans to subsidiaries	–	–	8,225,000	6,145,000
Value-added tax recoverable and other tax prepayment	1,043,257	791,201	82,818	89,844
Interest receivable	53,542	52,403	54,671	52,403
Other receivables	260,111	195,025	43,388	86,125
	2,152,632	1,975,315	8,498,415	6,595,845

All of the prepayments and other receivables are expected to be recovered within one year.

Note: Loans to related parties of the Group are provided to Jiande Chengli Building Material Co., Ltd. (“Chengli Building Material”). The loans have been renewed in 2014.

28 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

29 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Amounts due from:				
Anhui Conch Kawasaki Engineering Co., Ltd. (“CK Engineering”) 安徽海螺川崎工程有限公司	30,623	124,311	–	–
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”) 安徽海螺川崎節能設備製造有限公司	–	100,400	–	–
Conch Kawasaki Equipment	142,811	149,225	1,612	21,344
Yingde Dragon Mountain Cement Co., Ltd. (“Dragon Mountain”) 英德龍山水泥有限責任公司	–	7,833	–	3,032
Wuhu Conch Profiles and Science Co., Ltd. (“Conch Profiles and Science”) 蕪湖海螺型材科技股份有限公司	2,391	593	1,793	–
Anhui Conch Construction Materials Design Centre (“Conch Design Institute”) 安徽海螺建材設計研究院	51	1,317	36	36
Wuhu Sanshan Conch Port Co., Ltd. (“Sanshan Port”) 蕪湖三山海螺港務有限公司	–	398	–	303
Debao Haibao Cement Co., Ltd. (“Haibao Cement”) 德保縣海寶水泥有限責任公司	–	2,537	–	–
Chengli Building Material	16,369	12,967	–	–
Qingsong Building Materials and Chemicals	4,671	–	–	–
Papua Cement	1,681	–	–	–
Anhui Conch Venture Investment Co. Limited (“CV Investment”) 安徽海螺創業投資有限責任公司	2,242	–	2,242	–
Wuhu Xinyuan Ship Building Industry Co.Ltd (“Xinyuan Ship Building”) 蕪湖新遠船業修造有限公司	1,413	–	–	–
Hwasu Corporation 安徽華塑股份有限公司	9,704	–	9,704	–
Other related parties	798	196	–	–
	212,754	399,777	15,387	24,715

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

29 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Amounts due to:				
CK Engineering	115,035	116,786	–	156
CK Equipment	71,229	32,194	–	3,313
Conch Kawasaki Equipment	93,258	86,473	4,728	13,603
Sanshan Port	1,917	4,398	1,821	2,088
Dragon Mountain	–	4,790	–	–
Conch Design Institute	13,703	214,376	12,340	209,132
Conch Profiles and Science	4,244	3,153	–	14
Chengli Building Material	406	–	–	–
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限公司	2,441	5,952	56	158
Chongqing Gaolin Building Material Co., Ltd. ("Gaolin Building Material") 重慶高林建材有限公司	–	1,830	–	–
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	21,531	29,251	21,531	29,251
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限責任公司	60	5,640	–	–
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	–	2,361	–	–
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	23,660	–	–	–
Xinyuan Ship Building	1,441	–	–	–
Shanghai Haiyi Shipping Co., Ltd. ("Shanghai Haiyi") 上海海一航運有限公司	1,090	–	–	–
Other related parties	301	20	112	–
	350,316	507,224	40,588	257,715

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 43. The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

30 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank deposits with maturity within three months	8,524,500	802,860	8,457,121	802,860
Cash at bank and in hand	3,987,621	5,716,072	1,259,757	3,125,552
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	12,512,121	6,518,932	9,716,878	3,928,412

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

30 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	2014 RMB'000	2013 RMB'000
Profit before taxation		14,927,042	12,671,169
Adjustments for:			
Depreciation	7(c)	3,599,240	3,386,226
Reversal of impairment loss on trade and other receivables	7(c)	(580)	–
Impairment of property, plant and equipment	7(c)	–	160,687
Amortisation of interest in leasehold land held for own use under operating leases	7(c)	96,795	84,787
Amortisation of intangible assets	7(c)	131,734	103,040
Finance costs	7(a)	1,038,936	1,160,565
Interest income	6	(419,999)	(191,946)
Share of losses/(profits) of associates		55,228	(440)
Share of losses of joint ventures		4,250	26,122
Net loss on disposal of fixed assets and lease prepayments	6	4,022	635
Net realised and unrealised gains on disposal of trading securities	6	(15,609)	(5,619)
Changes in fair value of derivative financial instruments	6	(14,280)	(2,556)
Dividend income from listed securities	6	(29,492)	(22,848)
Bargain purchase gain	4	(13,090)	–
Before changes in working capital carried forward		19,364,197	17,369,822

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

30 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations (continued)

	2014 RMB'000	2013 RMB'000
Before changes in working capital brought forward	19,364,197	17,369,822
Changes in working capital:		
(Increase)/decrease in inventories	(577,354)	383,892
Decrease in trade receivables	3,397,687	869,553
Decrease in prepayments and other receivables	190,383	57,989
Decrease/(increase) in amounts due from related parties	1,693	(14,577)
Decrease in trade payables	(304,380)	(1,379,853)
(Decrease)/increase in other payables and accruals	(418,728)	338,054
(Decrease)/increase in amounts due to related parties	(251,719)	254,338
Decrease in long-term payables	(4,620)	(4,892)
Increase/(decrease) in deferred income	97,043	(570)
Cash generated from operations	21,494,202	17,873,756

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

31 TRADE PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	4,014,855	3,791,010	254,735	478,944

Included in trade payables are trade creditors with the following aging analysis based on invoice dates as of the statement of financial position date:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year (inclusive)	3,984,848	3,764,195	254,735	478,369
Between 1 year and 2 years (inclusive)	22,830	21,441	–	575
Between 2 years and 3 years (inclusive)	4,577	2,689	–	–
Over 3 years	2,600	2,685	–	–
	4,014,855	3,791,010	254,735	478,944

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

32 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Construction cost payables	2,124,249	1,894,291	52,893	25,767
Receipts in advance from customers	1,079,802	1,050,104	46,399	31,505
Deposits from suppliers	546,985	481,380	38,348	49,851
Retention monies	624,873	536,737	45,715	2,367
Expense accruals	181,107	200,940	4,748	7,169
Value-added tax payables	157,424	151,982	–	–
Other taxes payables	314,106	301,350	42,303	46,073
Interest payable	350,512	370,207	347,209	349,273
Dividend payable	200,000	–	–	–
Payables for acquisition of subsidiaries	971,012	689,346	572,168	128,388
Payroll payables	521,634	562,941	55,073	54,940
Other payables	117,069	152,241	22,040	46,300
	7,188,773	6,391,519	1,226,896	741,633

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans (note 35)				
– unsecured	2,089,975	3,059,938	–	50,000
Unsecured debentures (note (b)(i))	15,482,555	15,474,801	15,482,555	15,474,801
Other borrowings				
– secured (note 34)	–	650,000	–	650,000
– unsecured (note (b)(ii))	14,546	21,818	–	–
	17,587,076	19,206,557	15,482,555	16,174,801

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 NON-CURRENT BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule of non-bank borrowings:

- (i) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carried fixed annual interest rate of 5.08% and 5.20% respectively, which will be repaid annually. The principal of the 5-year bond is fully repayable on 23 May 2016 and the 7-year bond is fully repayable on 23 May 2018.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years (“5-year bond”) and RMB3,500,000,000 with a maturity period of 10 years (“10-year bond”). The 5-year bond and the 10-year bond carried fixed annual interest rate of 4.89% and 5.10% respectively, which will be repaid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

- (ii) Other unsecured borrowings represent national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.30% (2013: 3.36%) per annum and is repayable in June 2017.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

34 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans (note 35)				
– secured	–	10,000	–	–
– unsecured	1,671,895	1,047,538	50,000	150,000
Loans from Conch Holdings				
– unsecured	–	1,870,000	–	–
Other borrowings				
– secured (note 33(a))	650,000	–	650,000	–
– unsecured	7,273	7,273	–	–
	2,329,168	2,934,811	700,000	150,000

Other secured borrowings of the Group and the Company are provided by the International Finance Corporation (“IFC”). The loan bears interest at a rate of 5.32% (2013: 5.32%) per annum. At 31 December 2014, the loan was secured by property, plant and equipment of the Group with the carrying amount of RMB311,728,000 (2013: RMB351,544,000) and leasehold land held for own use under operating leases of the Group with the carrying amount of RMB161,800,000 (2013: RMB168,044,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis. The loan is repayable in September 2015.

At 31 December 2014, other unsecured borrowings of the Group represent national debt loan (國債轉貸) provided by the Anhui Finance Bureau.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

35 BANK LOANS

At 31 December 2014, the bank loans were repayable as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year or on demand (note 34)	1,671,895	1,057,538	50,000	150,000
After 1 year but within 2 years	792,000	1,399,515	–	50,000
After 2 years but within 5 years	1,088,000	1,008,000	–	–
After 5 years	209,975	652,423	–	–
Total non-current bank loans (note 33(a))	2,089,975	3,059,938	–	50,000
	3,761,870	4,117,476	50,000	200,000

At 31 December 2014, unsecured bank loans of the Group totalling RMB341,265,000 (2013: RMB448,865,000) were guaranteed by Conch Holdings. Unsecured bank loans of the Group totalling RMB463,000,000 (2013: RMB423,000,000) were guaranteed by Guizhou Panjiang Investment Holdings (“Panjiang Investment”). Panjiang Investment is the non-controlling shareholder of Zunyi Conch, Tongren Conch, Guiyang Conch and Guiding Conch.

At 31 December 2014, USD denominated unsecured long-term bank loan of RMB152,975,000 (2013: RMB152,422,000) bore interest rate at 6-month LIBOR plus margin of 379 basis points per annum.

At 31 December 2014, USD denominated unsecured short-term bank loan of RMB122,380,000 (2013: RMB121,938,000) bore interest at interest rate quoted by the lender in respect of six-month borrowings plus margin of 125 basis points per annum.

At 31 December 2014, total banking facilities of the Group amounted to RMB76,088,948,000 (2013: RMB76,750,253,000). These facilities were utilised to the extent of RMB3,761,870,000 (2013: RMB4,117,476,000) as at the statement of financial position date.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Provision for PRC Corporate Income Tax for the year	3,414,881	2,910,192	221,654	61,345
PRC Corporate Income Tax paid	(3,061,652)	(2,132,131)	(239,140)	(60,810)
	353,229	778,061	(17,486)	535
Representing:				
Tax recoverable	(158,707)	(91,560)	(17,486)	–
Tax payable	511,936	869,621	–	535
	353,229	778,061	(17,486)	535

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowances and impairment	Unrealised profits (note)	Arising from business combination	Tax losses	Depreciation of fixed asset	Deferred income	Provisions	(Note 12) Fair value change of available- for-sale equity securities	Fair value change of derivatives and trading securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:										
At 1 January 2013	(15,202)	(76,240)	171,481	(39,843)	-	-	(750)	149,564	(2,609)	186,401
Charged/(credited) to income statement	1,146	(26,830)	(2,965)	(33,979)	-	-	606	-	1,995	(60,027)
Arising from acquisitions	-	-	18,937	-	-	-	-	-	-	18,937
Credited to reserves	-	-	-	-	-	-	-	(289,190)	-	(289,190)
At 31 December 2013	(14,056)	(103,070)	187,453	(73,822)	-	-	(144)	(139,626)	(614)	(143,879)
At 1 January 2014	(14,056)	(103,070)	187,453	(73,822)	-	-	(144)	(139,626)	(614)	(143,879)
Charged/(credited) to income statement	410	(70,656)	(9,662)	21,792	12,987	(15,042)	144	-	5,329	(54,698)
Arising from acquisitions	-	-	107,943	-	-	-	-	-	-	107,943
Charged to reserves	-	-	-	-	-	-	-	329,330	-	329,330
At 31 December 2014	(13,646)	(173,726)	285,734	(52,030)	12,987	(15,042)	-	189,704	4,715	238,696

Note: The unrealised profits arose from intra-group sale of inventories and fixed assets and intra-group borrowings, and sale of inventories and fixed assets to/by associates and joint ventures.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) The Company

The components of deferred tax assets recognised in the Company's statement of financial position and the movements during the year are as follows:

	Allowances and impairment RMB'000	(Note 12) Fair value change of available-for- sale equity securities RMB'000	Fair value change of trading securities RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 January 2013	(2,682)	149,564	(3,117)	143,765
Charged to the income statement	-	-	1,358	1,358
Credited to reserves	-	(289,190)	-	(289,190)
At 31 December 2013	(2,682)	(139,626)	(1,759)	(144,067)
At 1 January 2014	(2,682)	(139,626)	(1,759)	(144,067)
Charged to the income statement	260	-	6,844	7,104
Charged to reserves	-	329,330	-	329,330
At 31 December 2014	(2,422)	189,704	5,085	192,367

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(iii) Reconciliation to the statement of financial position

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised on the statement of financial position	(283,477)	(363,565)	–	(144,067)
Net deferred tax liabilities recognised on the statement of financial position	522,173	219,686	192,367	–
	238,696	(143,879)	192,367	(144,067)

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 LONG-TERM PAYABLES

The Group

	2014 RMB'000	2013 RMB'000
Compensation payable (note (a))	7,576	12,196
Acquisition cost of mining rights payable (note (b))	–	343,000
	7,576	355,196
Less: Current portion of compensation payable (note (a))	(1,959)	(2,136)
Current portion of acquisition cost of mining rights payable (note (b))	–	(49,000)
	(1,959)	(51,136)
	5,617	304,060

Notes:

- (a) In 1998 and 2002, pursuant to the purchase agreements entered into between the Group and two third parties separately in relation to the acquisition of certain operating assets and liabilities of two cement plants in Nanjing, the Group assumed the obligations of making compensation to the retired and redundant employees of that cement plants.

In 2007, pursuant to another purchase agreement entered into between the Group and a third party in relation to the acquisition of certain operating assets and liabilities of a cement plant in Lushan, the Group assumed obligations of making compensation to the retired and redundant employees of that cement plant.

At 31 December 2014, the total remaining obligations in relation to the above agreements amounted to RMB7,576,000 (2013: RMB12,196,000). Compensation payable of RMB1,959,000 (2013: RMB2,136,000) is expected to be settled in 2015.

- (b) Pursuant to an agreement entered into between a subsidiary of the Company and Anhui Provincial Department of Land and Resources on 21 October 2011, acquisition cost of certain mining rights acquired amounting to RMB441,000,000 is payable between 2012 and 2020, of which RMB49,000,000 is to be settled each year. The Group has repaid the whole remaining amount in advance on 27 August 2014.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 DEFERRED INCOME

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	417,097	417,667	25,129	28,264
Government grants received (note below)	145,713	41,953	1,500	–
Recognised in the statement of profit or loss	(48,670)	(42,523)	(3,178)	(3,135)
At 31 December	514,140	417,097	23,451	25,129

Note:

According to the PRC tax law and regulations, the Group enjoys certain tax incentives arising from the purchases of qualified energy conservation equipment, in the form of tax refunds.

Such subsidy income is regarded as government grants whose primary condition for qualification is the purchase of certain long-term assets. The government grants are recognised as income over the periods necessarily to match them with the related costs of assets purchased which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2013		5,299,303	16,579,355	217,270	2,649,654	448,690	18,480,932	43,675,204
Changes in equity for 2013:								
Total comprehensive income		-	-	-	-	(867,570)	7,209,048	6,341,478
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	(1,324,826)	(1,324,826)
Balance at 31 December 2013		5,299,303	16,579,355	217,270	2,649,654	(418,880)	24,365,154	48,691,856
Balance at 1 January 2014		5,299,303	16,579,355	217,270	2,649,654	(418,880)	24,365,154	48,691,856
Changes in equity for 2014:								
Total comprehensive income		-	-	-	-	987,990	14,428,855	15,416,845
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	(1,854,756)	(1,854,756)
Balance at 31 December 2014		5,299,303	16,579,355	217,270	2,649,654	569,110	36,939,253	62,253,945

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

- (i) *Dividends payable to equity shareholders of the Company attributable to the year:*

	2014 RMB'000	2013 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.65 (2013: RMB0.35) per ordinary share	3,444,547	1,854,756

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:*

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.35 (2013: RMB0.25) per ordinary share	1,854,756	1,324,826

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	2014		2013	
	No. of shares ('000)	Amount RMB'000	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	1,299,600	1,299,600	1,299,600	1,299,600
A shares of RMB1 each	3,999,703	3,999,703	3,999,703	3,999,703
	5,299,303	5,299,303	5,299,303	5,299,303
Issued and fully paid:				
H shares of RMB1 each	1,299,600	1,299,600	1,299,600	1,299,600
A shares of RMB1 each	3,999,703	3,999,703	3,999,703	3,999,703
	5,299,303	5,299,303	5,299,303	5,299,303

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in October 1997 at an issue price of Hong Kong Dollars (the "HK\$") 2.28 per share. The H shares were listed on the Stock Exchange of Hong Kong Limited on 21 October 1997.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on the SSE on 7 February 2002.

The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of HK\$8.20 per share in November 2003.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company remained unchanged. The State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province ("SASAC") approved the Proposal on 15 February 2006.

On 1 March 2007, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company at 31 December 2006) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to CV Investment as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

On 25 February 2008, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 4% of the total issued shares of the Company at 31 December 2007) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 3 March 2008.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB57.38 per share, ranking pari passu with the then existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

On 25 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 shares with trading restrictions (representing approximately 28% of the total issued shares of the Company at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 shares with trading restrictions on 2 March 2009.

On 20 May 2010, the board of directors of the Company applied to the SSE for the listing of the 310,754,000 shares with trading restrictions (representing approximately 18% of the total issued shares of the Company at 31 December 2009) in the Company held by Conch Holdings, CV Investment and Ping An Trust and Investment Co., Ltd. on the SSE. The SSE approved the listing of such 310,754,000 shares with trading restrictions on 26 May 2010.

A shares and H shares rank pari passu in all respects, except that ownership of A shares is restricted to PRC nationals and legal persons and qualified foreign investment institutions, while H shares can only be owned and traded by investors outside mainland China. Dividends on A shares are payable in RMB, while dividends on H shares are payable in HK\$.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Capitalisation issue

The 2010 Annual General Meeting held on 31 May 2011 approved the bonus issue of 5 shares for every 10 shares held by the shareholders as at 15 June 2011. As a result, the issued share capital of the Company increased from RMB3,532,868,000 to RMB5,299,303,000 after capitalization of share premium of RMB1,766,435,000.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents net assets acquired from Conch Holdings in excess of the par value of shares issued, and proceeds from the issuance of H shares and A shares (or fair value of A shares) issued in excess of their par value, net of underwriting commissions, professional fees and other reorganisation costs for listing purpose.

(ii) Capital reserve

The capital reserve comprises the following:

- the differences between the cost of acquisition of non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired;
- cash contributed by Conch Holdings; and
- revaluation gain on lease prepayments.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with PRC accounting standards to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of the Company or any of its subsidiaries, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company and each subsidiary should be maintained at a minimum of 25% of the registered capital after utilisation.

For the year ended 31 December 2014, the subsidiaries of the Company appropriated the statutory surplus reserve in accordance with the articles of association. No statutory surplus reserve was appropriated for the Company in the year 2014, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the statement of financial position date and is dealt with in accordance with the accounting policy set out in note 2(g).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(v) Retained earnings

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) PRC accounting standards and regulations, and (ii) IFRSs.

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB36,939,253,000 (2013: RMB24,365,154,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio which is total liabilities divided by total assets.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2014 was 32% (2013: 37%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Other than the Group's other borrowings (secured) of RMB650,000,000 (see note 34), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014: 48% (2013: 48%) of the total trade receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 26 and 27.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Group and the Company can be required to pay:

The Group

	2014					Carrying amount
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	4,014,855	-	-	-	4,014,855	4,014,855
Other payables and accruals	7,188,773	-	-	-	7,188,773	7,188,773
Bank loans and other borrowings	3,225,287	8,666,007	7,127,612	4,277,572	23,296,478	19,916,244
Amounts due to related parties	350,316	-	-	-	350,316	350,316
Long-term payables	1,959	5,617	-	-	7,576	7,576
	14,781,190	8,671,624	7,127,612	4,277,572	34,857,998	31,477,764

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	2013					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	3,791,010	-	-	-	3,791,010	3,791,010
Other payables and accruals	6,391,519	-	-	-	6,391,519	6,391,519
Bank loans and other borrowings	4,010,711	2,994,586	14,613,805	4,973,325	26,592,427	22,141,368
Amounts due to related parties	507,224	-	-	-	507,224	507,224
Long-term payables	51,136	62,260	191,933	139,723	445,052	355,196
	14,751,600	3,056,846	14,805,738	5,113,048	37,727,232	33,186,317

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2014					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	254,735	-	-	-	254,735	254,735
Other payables and accruals	1,226,896	-	-	-	1,226,896	1,226,896
Bank loans and other borrowings	1,512,819	7,786,350	5,917,750	4,035,500	19,252,419	16,182,555
Amounts due to subsidiaries	5,261,694	-	-	-	5,261,694	5,261,694
Amounts due to related parties	40,588	-	-	-	40,588	40,588
	8,296,732	7,786,350	5,917,750	4,035,500	26,036,332	22,966,468

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2013					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	478,944	-	-	-	478,944	478,944
Other payables and accruals	741,633	-	-	-	741,633	741,633
Bank loans and other borrowings	939,878	1,666,286	13,525,600	4,214,000	20,345,764	16,324,801
Amounts due to subsidiaries	5,935,548	-	-	-	5,935,548	5,935,548
Amounts due to related parties	257,715	-	-	-	257,715	257,715
	8,353,718	1,666,286	13,525,600	4,214,000	27,759,604	23,738,641

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and long-term payables. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 33, 34 and 35. The Group's interest rate profile as monitored by management is set out in (i) below.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the statement of financial position date.

	The Group				The Company			
	2014		2013		2014		2013	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Net fixed rate borrowings:								
Bank loans	3.12%	150,000	5.40%	350,000	-	-	5.40%	150,000
Other borrowings	4.89%-5.32%	16,132,555	4.69%-5.78%	17,994,801	4.89%-5.32%	16,132,555	4.89%-5.32%	16,124,801
Less: Loans and receivables	6.15%-6.65%	(230,000)	5.76%-7.29%	(270,000)	4.90%-6.90%	(6,275,000)	4.50%-6.31%	(5,410,000)
Prepayments and other receivables	6.15%-6.65%	(136,960)	5.76%-6.40%	(110,960)	6.00%	(8,225,000)	6.00%	(6,145,000)
Restricted cash deposits	2.25%-5.10%	(139,485)	2.25%-5.10%	(104,123)	2.25%-5.10%	(92,610)	2.25%-5.10%	(91,875)
Bank deposits with maturity over three months	5.10%	(1,500,000)	3.08%-3.30%	(4,621,900)	5.10%	(1,500,000)	3.08%-3.30%	(4,621,900)
Cash and cash equivalents	3.05%-8.50%	(8,524,500)	2.86%	(802,860)	3.05%	(8,457,121)	2.86%	(802,860)
		5,751,610		12,434,958		(8,417,176)		(796,834)
Variable rate borrowings:								
Bank loans	1.84%-5.90%	3,611,870	1.43%-9.23%	3,767,476	5.84%	50,000	5.84%	50,000
Other borrowings	3.30%	21,819	3.36%	29,091	-	-	-	-
Long-term payables	-	-	6.00%/6.55%	343,000	-	-	-	-
Less: Restricted cash deposits	-	-	0.35%	(10,981)	-	-	-	-
Cash and cash equivalents	0.35%-1.38%	(3,987,320)	0.35%-1.27%	(5,715,613)	0.35%-1.38%	(1,259,757)	0.35%-1.27%	(3,125,552)
		(353,631)		(1,587,027)		(1,209,757)		(3,075,552)
Total net borrowings		5,397,979		10,847,931		(9,626,933)		(3,872,386)

The interest rate of the variable rate borrowings of the Group and the Company is based on the base rate announced by the People's Bank of China.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB2,334,000 (2013: RMB11,214,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the statement of financial position date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the statement of financial position date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, bank loans and other borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. Currently, the management does not enter into currency hedging transactions. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the statement of financial position date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date (Indonesia Rupiah referred to as "IDR"):

The Group

	Exposure to foreign currencies (expressed in RMB'000)			
	2014		2013	
	USD	IDR	USD	EURO
Trade receivables	59,342	56	25,451	-
Cash and cash equivalents	4,022,060	12,760	186,313	28,048
Bank loans and other borrowings	(275,355)	-	(274,361)	-
Other payables and accruals	(19,817)	(11,310)	(56,961)	-
Gross exposure arising from recognised assets and liabilities	3,786,230	1,506	(119,558)	28,048
Notional amounts of forward exchange contracts	(440,568)	-	(390,202)	-
Notional amounts of exchange option contracts	(73,428)	-	-	-
Net exposure arising from recognised assets and liabilities	3,272,234	1,506	(509,760)	28,048

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the statement of financial position date had changed at that date, assuming all other risk variables remained constant.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained (loss) /profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained (loss) /profits RMB'000
USD	1%	(24,542)	1%	3,823
EURO	1%	-	1%	(210)
IDR	1%	(11)	1%	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the statement of financial position date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the statement of financial position date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2013.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from trading securities and equity investments classified as available-for-sale equity securities (see notes 23 and 25).

The Group and the Company mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

It is estimated that an increase/decrease of 1% (2013: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's retained profits and fair value reserve as follows:

The Group and the Company

	2014			2013		
	Effect on profit after tax and retained profits	Effect on fair value reserve	RMB'000	Effect on profit after tax and retained profits	Effect on fair value reserve	RMB'000
Change in quoted share price						
Increase	1%	-	29,515	1%	273	16,667
Decrease	(1%)	-	(29,515)	(1%)	(273)	(16,667)

The sensitivity analysis indicates the instantaneous change in the Group's retained profits and fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the statement of financial position date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2013.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

The Group

	Fair value measurements as at 31 December 2014 using			
	Fair value at 31 December 2014 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments	20,343	-	20,343	-
Available-for-sale equity securities:				
- Listed	3,935,395	3,935,395	-	-
Financial liability:				
Derivative financial instruments	(1,473)	-	(1,473)	-
	3,954,265	3,935,395	18,870	-

	Fair value measurements as at 31 December 2013 using			
	Fair value at 31 December 2013 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments	4,590	-	4,590	-
Other investments	36,370	36,370	-	-
Available-for-sale equity securities:				
- Listed	2,222,333	2,222,333	-	-
	2,263,293	2,258,703	4,590	-

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

The Company

	Fair value measurements as at 31 December 2014 using			
	Fair value at 31 December 2014 RMB'000	Quoted prices	Significant	Significant
		in active	other	unobservable
		market for	observable	unobservable
		identical assets (Level 1)	inputs (Level 2)	inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument	20,343	-	20,343	-
Available-for-sale equity securities:				
- Listed	3,935,395	3,935,395	-	-
	3,955,738	3,935,395	20,343	-

	Fair value measurements as at 31 December 2013 using			
	Fair value at 31 December 2013 RMB'000	Quoted prices	Significant	Significant
		in active	other	unobservable
		market for	observable	unobservable
		identical assets (Level 1)	inputs (Level 2)	inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Other investments	36,370	36,370	-	-
Available-for-sale equity securities:				
- Listed	2,222,333	2,222,333	-	-
	2,258,703	2,258,703	-	-

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

During the year ended 31 December 2014, there were no significant transfers between financial instruments in level 1 and level 2.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except as follows:

	2014		2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
The Group:				
Current bank loans and other borrowings	2,329,168	2,334,919	2,934,811	2,938,463
Long-term payables	-	-	294,000	285,111
Non-current bank loans and other borrowings	17,587,076	17,635,967	19,206,557	18,858,535
	19,916,244	19,970,886	22,435,368	22,082,109

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(ii) Fair values of financial instruments carried at other than fair value (continued)

The carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except as follows:

	2014		2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
The Company:				
Non-current bank loans and other borrowings	15,482,555	15,600,867	16,174,801	15,908,154

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the statement of financial position date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE as at 31 December 2014.

(ii) Derivatives

Forward exchange contracts and foreign exchange swap contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Foreign exchange option contracts are determined using option model and observable inputs.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, or based on the quoted market prices at the statement of financial position date without any deductions for transaction costs if available.

(iv) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loans. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

(v) Interest rates used for determining fair value

The entity uses the market rate of bank loans as of 31 December 2014 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2014	2013
Bank loans and other borrowings	5.60%~6.15%	5.54%~6.55%
Loans and receivables	6.00%	6.00%~6.55%

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMMITMENTS

- (a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Contracted for	2,416,216	4,801,757	34,419	30,605
Authorised but not contracted for	5,518,527	5,285,224	–	–
	7,934,743	10,086,981	34,419	30,605

- (b) At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year (inclusive)	–	6,462	–	4,484
After 1 year but within 5 years (inclusive)	–	10,732	–	2,242
After 5 years	–	149,609	–	–
Total	–	166,803	–	6,726

Note: The operating lease commitment of RMB160,077,000 in respect of certain leasehold land as at 31 December 2013 was cancelled in 2014 as the Group acquired the relevant use right of leasehold land on 16 January 2014.

- (c) As disclosed in note 43(b) (ix), the Company is committed to pay trademark licence fees to Conch Holdings at RMB1,513,000 (2013: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

42 CONTINGENT LIABILITIES

At 31 December 2014, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB3,278,605,000 (2013: RMB3,589,610,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2014, outstanding letters of credit issued by the Group amounted to RMB135,761,000 (2013: RMB131,218,000).

43 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and joint venture of the Group as disclosed in notes 20 and 21 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
China Conch Venture Holdings Limited ("China Conch Venture") 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
CV Investment 安徽海螺創業投資有限責任公司	Shareholder of the Company some directors of the Company are also directors and equity holders of CV Investment
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Conch Venture Wuhu 蕪湖海創實業有限責任公司	Subsidiary of China Conch Venture

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
CK Engineering 安徽海螺川崎工程有限公司	Subsidiary of China Conch Venture
CK Equipment 安徽海螺川崎節能設備製造有限公司	Subsidiary of China Conch Venture
HC Port 揚州海昌港務實業有限責任公司	Subsidiary of China Conch Venture
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") 安徽海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") 亳州海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Conch Venture Property 蕪湖海創置業有限責任公司	Subsidiary of CV investment
Sanshan Port 蕪湖三山港務有限公司	Subsidiary of CV investment
Conch Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV investment
Shanghai Haiyi 上海海一航運有限公司	Subsidiary of CV investment
Shanghai Conch International Investment Co., Ltd ("Conch IID Shanghai") 上海海螺國際投資發展有限公司	Subsidiary of CV investment

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Xinyuan Ship Building 蕪湖新遠船業修造有限公司	Subsidiary of Conch IID Shanghai
Conch Kawasaki Equipment 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Papua Cement 印尼巴布亞水泥有限公司	Joint venture of the Company, a director of the Company is also a director of Papua Cement
Qingsong Building Materials and Chemicals 新疆青松建材化工(集團)股份有限公司	Associate of the Company
King Bridge Cement 安徽朱家橋水泥有限公司	Associate of the Company
Chengli Building Material 建德市成利建材有限公司	In trust of a subsidiary of the Company
Hwasu Corporation 安徽華塑股份有限公司	In trust of its cement operation line
Gaolin Building Material 重慶高林建材有限公司	In trust of a subsidiary of the Company before 4 May 2014
Haibao Cement 德保縣海寶水泥有限責任公司	In trust of a subsidiary of the Company before 8 Dec 2014
Dragon Mountain 英德龍山水泥有限責任公司	Same ultimate holding company with Prosperity Minerals (International) Limited*

* Prosperity Minerals (International) Limited is non-controlling shareholder of the subsidiary of the Company. Pursuant to the amendments to the listing rules announced on 21 March 2014, Dragon Mountain is not the Group's related party since 1 July 2014.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2014 RMB'000	2013 RMB'000
Conch Kawasaki Equipment	33,264	25,461
CK Equipment	9,668	7,067
Conch Profiles and Science	2,942	2,009
Sanshan Port	13,403	28,579
Dragon Mountain	20,290	21,834
CV Investment	886	1,212
HC Port	4,698	–
Gaolin Building Material	1,827	19,041
Haibao Cement	24,220	33,466
Chengli Building Material	62,794	46,123
Qingsong Building Materials and Chemicals	11,633	–
Papua Cement	5,039	–
Conch Venture Wuhu	1,809	–
Other related parties	2,094	856
	194,567	185,648

(ii) Sales of fixed assets

	2014 RMB'000	2013 RMB'000
Conch Design Institute	340,124	–
	340,124	–

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(iii) Purchase of goods

	2014 RMB'000	2013 RMB'000
Sanshan Port	127,082	99,842
Conch Profiles and Science	7,765	8,444
CK Equipment	110,847	80,432
Conch Kawasaki Equipment	101,084	75,394
Dragon Mountain	204,360	245,699
King Bridge Cement	3,171	1,308
Conch Venture Green	35	-
	554,344	511,119

(iv) Purchase of fixed assets

	2014 RMB'000	2013 RMB'000
CK Engineering	327,406	524,349
CK Equipment	181,197	154,600
Conch Kawasaki Equipment	479,338	413,959
Conch Venture Wuhu	41,026	-
Xinyuan Ship Building	16,205	-
	1,045,172	1,092,908

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(v) Provision of services

	2014 RMB'000	2013 RMB'000
Conch Profiles and Science	2,624	2,317
Conch Design Institute	725	1,839
Conch Kawasaki Equipment	6,356	4,364
Gaolin Building Material	–	1,978
King Bridge Cement	–	667
Dragon Mountain	5,239	11,801
HC Port	1,846	–
Other related parties	272	678
	17,062	23,644

(vi) Receiving services

	2014 RMB'000	2013 RMB'000
Conch Design Institute	31,523	29,595
Conch IT Engineering	32,304	17,556
CK Engineering	21,959	28,247
HC Port	53,024	91,266
CV Investment	5,291	5,638
Shanghai Haiyi	135,983	70,189
Conch Venture Wuhu	33,350	–
Conch IID Shanghai	8,669	–
Other related parties	1,373	432
	323,476	242,923

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(vii) Construction and investment in fixed assets

	2014 RMB'000	2013 RMB'000
Conch Venture Property	–	38,656

(viii) Lending of funds

– Principal

	2014 RMB'000	2013 RMB'000
Chengli Building Material	–	10,210

– Interest

	2014 RMB'000	2013 RMB'000
Conch Kawasaki Equipment	–	3,035
Gaolin Building Material	–	24
Haibao Cement	–	67
Chengli Building Material	1,701	1,652
	1,701	4,778

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(ix) Trustee service

	2014 RMB'000	2013 RMB'000
Gaolin Building Material	169	982
Hwasu Corporation	20,830	–
	20,999	982

(x) Transactions with Conch Holdings

	2014 RMB'000	2013 RMB'000
Trademark licence fees payable (note (i))	1,513	1,513
Composite service fees payable (note (ii))	1,499	1,434
Loan guarantees obtained (note (iii))	15,841,265	15,948,865
Loans obtained (note (iv))	–	350,000
Loans repaid (note (iv))	1,870,000	500,000
Interest on loans (note (iv))	26,544	108,245
Provision of services and sales of goods	2,419	2,444
	17,743,240	16,912,501

Notes:

- (i) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(x) Transactions with Conch Holdings (continued)

Notes: (continued)

- (ii) Conch Holdings charged the Company a total amount of RMB1,499,000 (2013: RMB1,434,000) for various services rendered and facilities provided during the year ended 31 December 2014.
- (iii) Conch Holdings provided guarantees for certain borrowings and finance leases of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (notes 33 and 35).
- (iv) The loans repaid to Conch Holdings during 2014 amounted to RMB1,870,000,000 (2013: RMB500,000,000).

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	8,964	9,454
Post-employment benefits	330	342
	9,294	9,796

Total remuneration is included in "staff costs" (see note 7(b)).

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

44 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in note 39(b).

45 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2014, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few of amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts Basis for conclusions on IFRS 14 Illustrative examples on IFRS 14	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016

11. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers Basis for conclusions on IFRS 15 Illustrative examples on IFRS 15	1 January 2017
IFRS 9, Financial instruments (2014) Basis for conclusions on IFRS 9 (2014) Implementation guidance on IFRS 9 (2014)	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.



12. Documents for Inspection

- (1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department.
- (2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.
- (3) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.
- (4) Annual report published on the Stock Exchange.

Anhui Conch Cement Company Limited
23 March 2015

13. Written Confirmation of the Directors and Members of the Senior Management on the Annual Report of 2014

Pursuant to the requirements and provisions of Securities Law and No. 2: “Content and Format of Annual Reports” of “Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers” (as revised in 2014), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2014 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2014 and its summary have fairly reflected the financial position and operating results of the Company for the year;
2. the audited financial statements of Anhui Conch Cement Co., Ltd. for year 2014 as audited by KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2014 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Guo Wensan	Chairman and executive Director	Wong Kun Kau	Independent non-executive Director
Tai Kwok Leung	Independent non-executive Director	Zhao Jianguang	Independent non-executive Director
Guo Jingbin	Non-executive Director	Wang Jianchao	Executive Director and general manager
Zhang Mingjing	Executive Director	Zhou Bo	Executive Director and chief accountant
Wu Bin	Deputy general manager	Li Qunfeng	Assistant to general manager
Ke Qiubi	Assistant to general manager	Chen Yongbo	Assistant to general manager
Li Xiaobo	Assistant to general manager	Li Leyi	Chief engineer of technical art
Xia Xiaoping	Deputy chief accountant	Yang Kaifa	Secretary to the Board

23 March 2015

