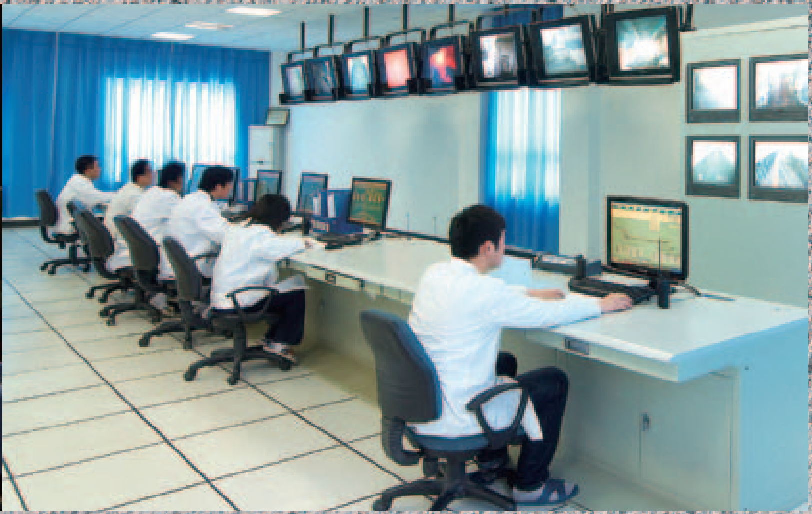
Annual Report 2015

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

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

Stock code: 2233

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Corporate Information

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F, Wharf T&T Centre
Harbour City
7 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*

Non-Executive Directors

Ma Zhaoyang
Liu Yan
Qin Hongji

Independent Non-Executive Directors

Lee Kong Wai Conway
Wong Kun Kau
Tam King Ching Kenny

COMPANY SECRETARY

Chan King Sau HKICPA

AUTHORIZED REPRESENTATIVES

Ma Weiping
Chan King Sau HKICPA

MEMBERS OF THE AUDIT COMMITTEE

Lee Kong Wai Conway *(Chairman)*
Wong Kun Kau
Tam King Ching Kenny

MEMBERS OF THE REMUNERATION COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China
Bank of Xi'an

Financial Highlights

RMB' Million (unless otherwise specified)	**Year ended 31 December 2015**	Year ended 31 December 2014	% Change
Total Cement and Clinker Sales Volume (million tons)	**17.1**	17.7	(3.4%)
Cement Sales Volume (million tons)	**16.8**	17.0	(1.2%)
Revenue	**3,500.9**	3,883.4	(9.8%)
Gross Profit	**463.5**	598.1	(22.5%)
EBITDA (including deductions for Senior Notes Redemption Costs in 2014)	**965.8**	996.9	(3.1%)
(Loss)/Profit Adjusted for Foreign Exchange Difference and write-off of Construction in Progress (and Senior Note Redemption Costs in 2014)	**(25.9)**	137.0	(118.9%)
(Loss)/Profit Attributable to Owners of the Company	**(309.2)**	35.9	(961.3%)
Basic (Loss)/Earnings Per Share[(1)]	**(6.2 cents)**	0.8 cents	(875.0%)
Interim Dividend	**Nil**	Nil	Nil
Proposed Final Dividend	**Nil**	0.2 cents	(100.0%)
Gross Profit Margin	**13.2%**	15.4%	(2.2 ppt)
EBITDA Margin	**27.6%**	25.6%	2.0 ppt

	31 December 2015	31 December 2014	
Total Assets	**11,382.5**	10,768.0	5.7%
Net Debt[(2)]	**3,375.7**	3,409.6	(1.0%)
Net Gearing[(3)]	**57.2%**	68.0%	(10.8 ppt)
Net Assets Per Share	**109 cents**	111 cents	(1.8%)

Notes:

(1) The decline was largely due to the write-off of construction in progress of RMB124.4 million (2014: Nil) and the unrealized foreign exchange loss of RMB157.1 million (2014: RMB5.3 million) relating to the Group's Senior Notes during the year.

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

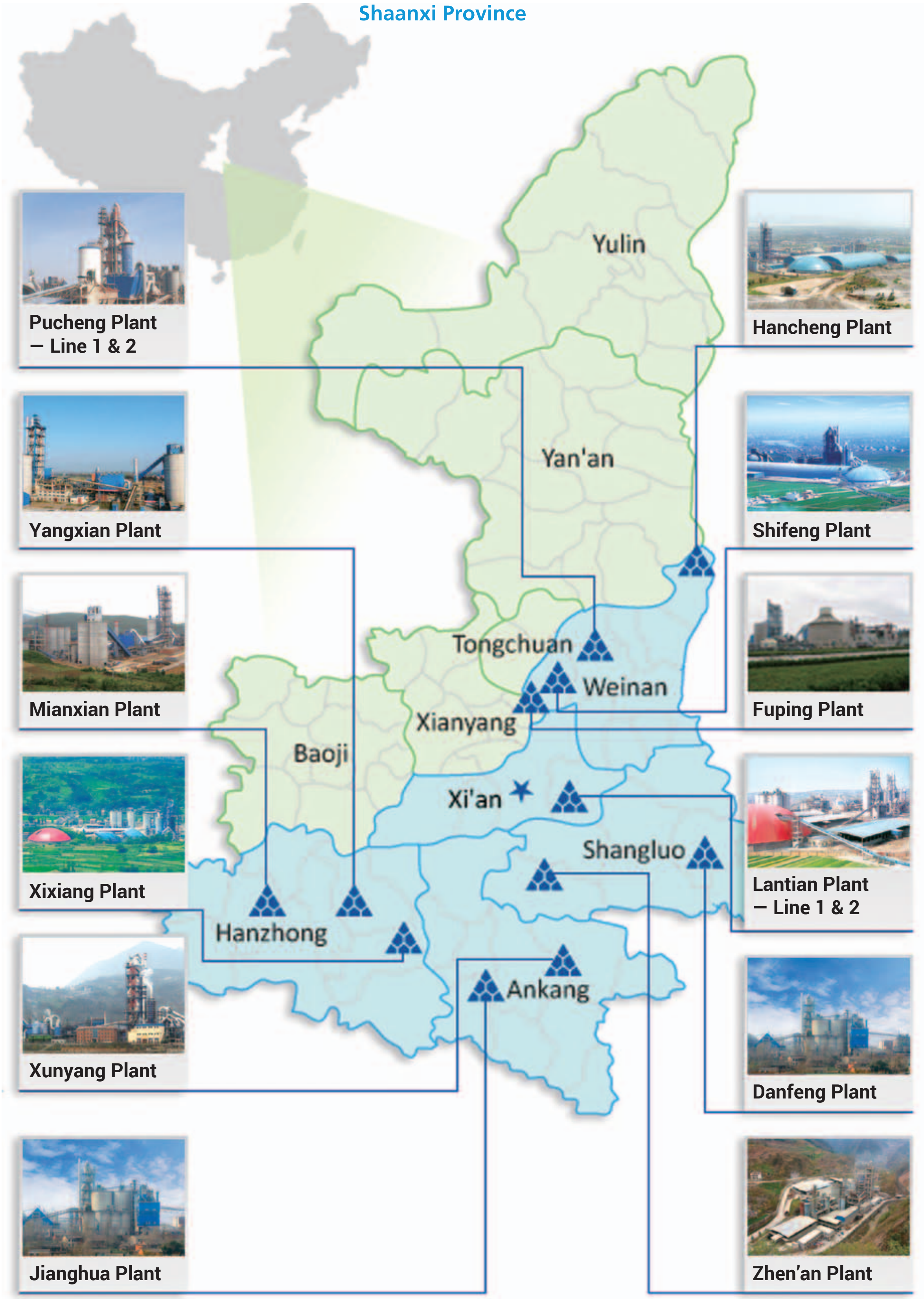
(3) Net gearing is measured as net debt to equity.

Business Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a presence in Xinjiang and Guizhou Provinces. As at 31 December 2015, the Group had a total production capacity of 29.2 million tons, comprised of 20 NSP cement production lines, with 23.3 million tons in Shaanxi Province, 4.1 million tons in Xinjiang Province and 1.8 million tons in Guizhou Province.

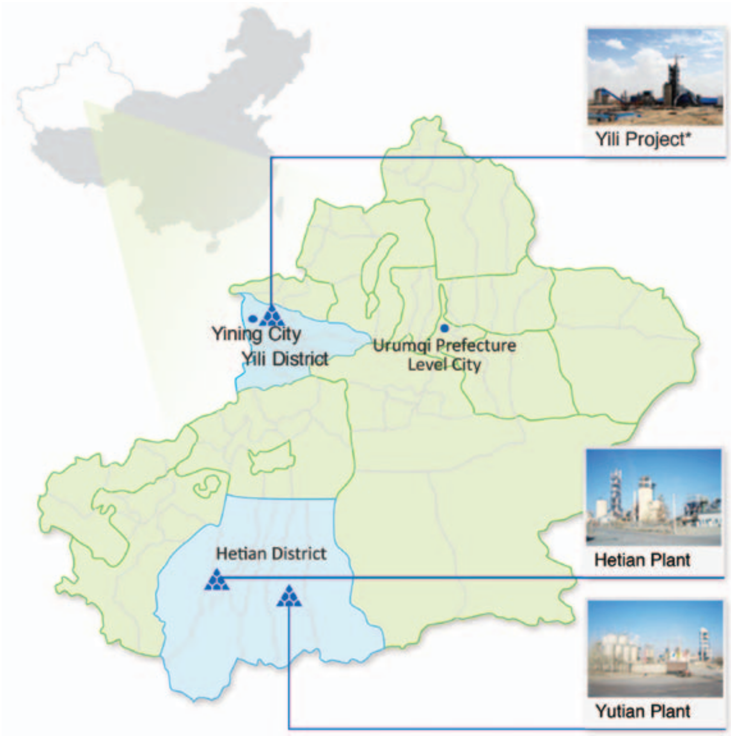
The Group's cement production is geared towards the economic development of Western China, driven by the Chinese Government's "Western Development Policy" and the "Silk Road Economic Development Plan". The Group aims to serve the development needs of Shaanxi, Xinjiang, Guizhou and Western China, supplying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

Business Overview

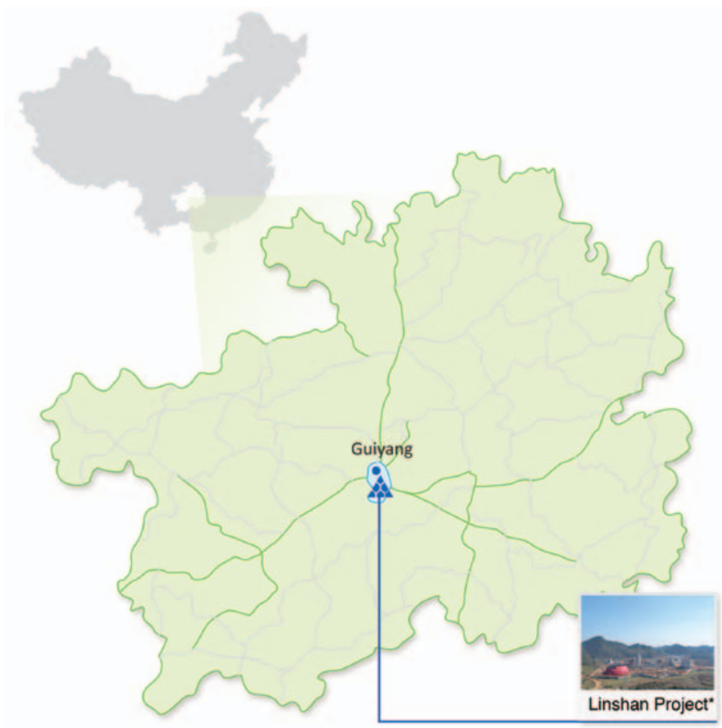


Business Overview

Xinjiang Province



Guizhou Province



Business Overview

The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group's superior positioning has allowed it to benefit from the current industry consolidation phase, and recent acquisitions in Central Shaanxi have allowed the Group to strengthen its position in the Xi'an metropolitan market. The Group has recently announced a major transaction with Anhui Conch Cement Company Limited ("Conch Cement"), one of China's premier and largest cement producers. Once completed, the transaction will result in a growth in the Group's annual capacity to approximately 40 million tons of cement and the Group becoming a HKSE listed subsidiary of Anhui Conch. The transaction represents a geographical expansion of the Group' operations into Central Shaanxi and a significant consolidation move in Shaanxi Province.

Energy conservation and emission controls are increasingly important factors in the cement industry and the Group continues to work towards best of industry standards in these areas. All of the Group's production facilities are NSP lines, mostly situated in close proximity to limestone quarries and the Group uses conveyor belts at many of its plants in order to minimise transportation related emissions. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing CO_2 emissions by approximately 20,000 tons per year per million tons of production. All of the Group's plants have been installed with denitration (De-NOx) equipment, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, as well as Particulate Matter (PM) reduction equipment. The Group is also involved in hazardous and municipal waste incineration through Yaobai Environmental. In 2015, the Group formally became a member of the Cement Sustainability Initiative, a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD).

Milestones

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

Milestones

Year	Event	Year End Capacity (million tons)
2014	The Group completed phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility in January, the first of such facilities in Shaanxi Province and North West China. This marks an important step in the Group's on going efforts in environmental protection solutions, and a new revenue stream for the Group. The Group successfully issued a USD400m 5-year senior note at 6.5% p.a. interest rate to redeem in full the previous senior notes issued in 2011.	23.7
2015	Completion of the construction of the 1.5 million ton Xinjiang Yili Plant and the 1.8 million ton Guizhou Huaxi Plant with full commissioning commencing in the first quarter of 2015. Announcement in June of a subscription by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement for new shares in the Group equal to approximately 16.67% of total issued share capital of the Company as enlarged by the subscription shares. The Group acquired the Yaowangshan Cement Plant, with a cement capacity of 2.2 million tons, in October taking Group total current capacity to 29.2 millions tons. Subsequently, both Conch Cement and the Company, among others, entered into an acquisition agreement in November whereby the Group purchases 4 cement plants in Central Shaanxi from Conch Cement totaling 10.4 million tons of cement capacity in consideration of an issue of 3,402,876,000 shares by the Company ("Consideration Shares"). After the issue of the Consideration Shares, Conch Cement will increase their holding in the Group to 57.57%.	29.2

Chairman's Statement

"The consolidation of the industry supply side can promote a significantly improved market outlook for cement in Shaanxi Province"

Zhang Jimin
Chairman

Chairman's Statement

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2015.

OVERVIEW

Without doubt, 2015 has been a challenging year for the cement industry in China. Slowdowns in fixed asset investment and construction have impacted on demand for cement in the PRC, and our Group's operating regions and markets have not been spared. However, whilst demand has been slower than previous years, we continue to believe that it is the structure of the supply side that is of primary importance in the healthy development of the cement industry in China. Oversupply is self-evident, and it is the fragmented nature of that supply that hinders increased profitability in the cement industry.

In its current shape, the Shaanxi cement market illustrates the effect of this fragmentation. Cement demand in 2015 has been weak, with Fixed Asset Investment ("FAI") growth in Shaanxi Province falling from 17.8% in 2014 to only 8% in 2015. The effect of this weak demand has been most severe in Central Shaanxi, an area of both oversupply and supply side fragmentation amongst a number of producers. In Southern Shaanxi, where the market has also suffered falls in demand, the level of fragmentation and oversupply is less than in the centre of the province, resulting in a more rational and disciplined market with higher levels of profitability. Further consolidation of the industry supply side in Shaanxi Province is therefore advantageous, and can promote a more stable industry that is able to withstand fluctuations in demand resulting from construction spending cyclicality.

Therefore, in spite of the tough operating environment in 2015, I am very pleased by the share subscription in our Company in June 2015 by a wholly-owned subsidiary of Conch Cement and the acquisition agreement that was announced in November 2015. Conch Cement is one of the premier cement groups in the PRC, both in terms of size and quality, and I am very proud that our Group is in a position to work together with Conch to contribute to a major supply side consolidation move in western China. I believe that the collaboration with Conch Cement will lead to a significantly more stable supply side and market outlook in Shaanxi Province and surrounding areas, thus improving the trading prospects for the Group into 2016 and beyond.

FINANCIAL RESULTS

In 2015, the Group has again been able to rely on its superior performance in its Southern Shaanxi core markets to mitigate poor operations in Central Shaanxi. Group cement and clinker sales volumes have fallen from 17.7 million tons in 2014 to 17.1 million tons in 2015 and Group profitability has been adversely affected by the poor pricing environment, especially in Central Shaanxi, resulting in a 22.5% fall in gross profit as compared to 2014. In spite of this, the Group has maintained strong cash flows, with EBITDA of close to RMB1 billion. Profit attributable to shareholders was however significantly affected by two major exceptional items, a foreign exchange loss on the Group's 2019 Senior Notes and a write-off of construction in progress, that have pushed the Group into a net loss for 2015. The Group's net gearing ratio has however improved from 68% at year end 2014 to 57% in 2015, as a result of the share subscription by a wholly-owned subsidiary of Conch Cement and the paying down of some bank loans, and the write-offs will result in a healthier statement of financial position in the Group going forward.

DIVIDEND

Due to the Group recording a net loss for the year ended 31 December 2015, the Board does not recommend payment of a final dividend for this financial year.

OPERATIONS

As described above, the Group has continued to have some success in its operations in Southern Shaanxi whilst confronting a difficult operating environment in Central Shaanxi. Average selling prices ("ASPs") have been especially weak in the centre of the the province but I am pleased that the Group has been able to maintain disciplined supply in the south with ASP premiums in this region of approximately RMB40 per ton as compared with Central Shaanxi. Peak-shifting production and voluntary production halts to limit supply in low seasons have become an important feature of the Central Shaanxi market but ASPs have been weak in 2015 due to slow demand intensifying competition on the fragmented supply side. Operations in Xinjiang and Guizhou have remained difficult, although volumes have been strong in Guizhou due to the superior position of our plant there. In the face of the price weaknesses, I am very pleased by the progress the Group's management has made in cost cutting and efficiency gains, leading to falls in the cost of production per ton of cement produced of approximately RMB10, which has somewhat stabilised the Group's per ton gross margins. In spite of the demand slowdown, urbanisation and infrastructure project demand have continued to be important demand drivers and the Group has maintained market share in the east of the province in addition to our relative success in the south where our plants are well placed to capture both infrastructure and rural demand.

The Group has further expanded its capacity in 2015, through an acquisition in Shaanxi Province in November 2015 and the commissioning of two plants in Xinjiang and Guizhou Provinces in April 2015, and annual cement capacity currently stands at 29.2 million tons. The Group has no current further expansion plans apart from the acquisitions represented by the major and connected transaction with Conch Cement.

BOARD CHANGES

I would like to take this opportunity to welcome two new members to the Group's Board. Subsequent to the completion of the share subscription by a wholly-owned subsidiary of Conch Cement in June 2015, the Board appointed two non-executive directors, Ms Liu Yan and Mr Qin Hongji. Ms Liu is the head of the finance department of Conch Cement and has extensive experience in financial management, internal audit and internal risk management and control. Mr Qin is the regional head of Conch Cement in the Shaangan (Shaanxi, Gansu) Region and has extensive experience in the operation and management of cement production organisation and external communication and coordination.

ENVIRONMENTAL PROTECTION SOLUTIONS & SAFETY

The Group's work in energy conservation, emission controls and environmental protection solutions have continued to be a major focus in 2015. During the year, the Group has finished the installation of De-nitration ("De-Nox") equipment and plant upgrades to limit Particulate matter ("PM") emissions at all of its plants in Shaanxi, Xinjiang and Guizhou Provinces. All upgrades to meet new emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed and the Group will continue to further reduce emissions through incremental upgrades.

The developments in the Group's Waste Treatment subsidiary, Yaobai Environmental Technology Engineering Co. Ltd ("Yaobai Environmental"), in 2015 are also very encouraging. The investment agreement with Wuhu Conch Investment Ltd ("Wuhu Conch"), China Conch Venture Holdings Limited ("Conch Venture") and Red Day Limited (Shaanxi Quanchuangke Industrial and Trading Co., Ltd was subsequently nominated to take up Red Day Limited's rights and obligations under the investment agreement), pursuant to which both parties will inject capital into Yaobai Environmental, will provide financial resources and technological expertise for the expansion of this business line. The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC, and the Group is looking forward to the further development of this business line together with its new partners. Yaobai Environmental's Lantian Waste Treatment Facility has been operational in 2015 and construction of a Municipal Waste Treatment Facility at our Fuping Plant has been ongoing and is due for completion in the first half of 2016.

The Group has continued its work to raise Health and Safety standards and monitoring with the completion of Phase II of the "Sustainable Safety Development Project," with Phase III of this project commencing in the first half of 2016. In addition, I am very pleased that the Group has joined the Cement Sustainability Initiative (CSI) in 2015, a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). This initiative will help the Group further raise its standards in all aspects of environmental impact and safety procedures.

OUTLOOK

The share subscription by a wholly-owned subsidiary of Conch Cement in June 2015, whose shareholding in our Company currently stands at approximately 21.2%, and the acquisition agreement announced in November 2015 are major steps forward for our Group and have very important and positive implications for the resolution of the cement industry supply side issues facing Shaanxi Province. The consolidation represented by the transaction will promote the healthy development of the industry in Shaanxi Province and such supply side moves are fully supported by the industry and the PRC Government. The acquisition is yet to be completed and is subject to the fulfilment or waiving of a number of conditions, and I am very pleased that the Company's independent shareholders have passed the relevant resolutions to approve the acquisition agreement and the transactions contemplated thereunder at the Group's extraordinary general meeting on the 19 January 2016.

Chairman's Statement

The acquisition, upon completion, will result in the largest consolidation move in Shaanxi Province to date and will create a unified cement asset with significant market share in all of the regions of central and southern Shaanxi. This represents an incremental geographic expansion of the Group's production and marketing capabilities, improving sales coordination across the province and increasing bargaining power on both input and selling prices. In addition, upon completion, Conch Cement is expected to become the indirect controlling shareholder of the Group, resulting in the Group becoming a subsidiary of Conch Cement which is listed on the Stock Exchange of Hong Kong Limited. This will enable synergies across all aspects of operations and management, allowing the Group to benefit from Conch Cement's nationwide scale, expertise and technology and enhancing the development strategies for both parties in the region.

Although slower than previous years, the demand scenario in Shaanxi Province remains reasonable and this demand is underpinned by continued urbanisation and infrastructure development, partly driven by the Western Development and Silk Road Economic Development Policies of the PRC Government. A number of major infrastructure projects are proceeding in the region, and there have been major new starts in 2016 including the Inner Mongolia to Jiangxi Coal Transportation Railway. Coupled with this demand scenario, the consolidation represented by the acquisition can prove transformational in promoting a disciplined market in the region going forward.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2015. I would also like to thank our shareholders for their continuing support of our Group in the past and into the future.

Zhang Jimin
Chairman

14 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group has continued to face a tough operating environment in the year ended 31 December 2015. Sales volumes in Shaanxi Province have seen falls, most significantly in the Xi'an Metropolitan Area and Central Shaanxi region where low demand has led to occasional voluntary production halts by all producers during low season periods. Sales volumes in Xinjiang Province have remained slow, only registering sales growth due to the addition of new capacity. Group sales volumes of cement and clinker for the year ended 31 December 2015 were 17.1 million tons, representing a small decrease from the 17.7 million tons recorded in 2014. This volume figure however includes a contribution of approximately 1.58 million tons from the newly constructed Xinjiang Yili and Guiyang Huaxi Plants which were fully commissioned in April 2015, as well as a small contribution from the Yaowangshan Cement Plant which was acquired in November 2015. Excluding these new plants, the Group has seen an approximate 12.8% annual fall in sales volumes in 2015 on a like for like basis.

The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. However, ASP's have remained poor in Central Shaanxi, with a continuation of competitive pricing by all producers. The Group has however been able to maintain the trend of falling costs established in the first half of 2015. Input prices have fallen during 2015, with an acceleration of these falls in the second half of 2015, and the Group has continued to implement efficiency gains and cost cutting measures. Taken together, these have partially eased the impact of poor ASP's on the Group's margins.

The Group has maintained healthy cash flows, with EBITDA of RMB965.8 million for the year ended 31 December 2015, although lower than the RMB996.9 million (which includes the 2016 Senior Note Redemption Costs of RMB92.2 million) recorded in 2014. However, the Group's annual results at the net profit level have been significantly affected by two non-cash financial factors. Firstly, as a result of the fall in the value of the RMB against the USD in the second half of 2015, the Group has recorded a significant foreign exchange loss arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014. Secondly, the Group has recorded a significant written-off of construction in progress for the Group's property, plant and equipment for the year ended 31 December 2015. These factors are described in more detail below.

The Group's capacity as at 31 December 2015 has now reached 29.2 million tons of cement with the full commissioning of the Group's two new cement plants in Xinjiang and Guizhou Provinces as well as the acquisition of the Yaowangshan Cement Plant that was announced in November 2015. The Group has no other plants under construction.

Conch International's Subscription of New Shares and announcement of Major and Connected Transaction with Conch Cement

In June and November 2015, the Group announced two transactions that it believes represent a significant opportunity to promote the further consolidation of the cement industry in Shaanxi Province and to further strengthen the Group's cement production efficiency and technological advantages in Shaanxi Province.

On 19 June 2015, the Group announced it had entered into a subscription agreement ("Subscription Agreement") with Conch International Holdings (HK) Limited ("Conch International"), a wholly-owned subsidiary of Conch Cement. Conch Cement is a leading PRC cement company and one of the Group's competitors in Shaanxi Province, with its H-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585). Under the Subscription Agreement, Conch International subscribed for 903,467,970 shares in the Company ("Shares"), representing approximately 16.67% of the Company's enlarged issued share capital. The subscription price of the share issue was HK$1.69 per share and the Group received net proceeds of approximately HK$1.51 billion. For further information relating to the subscription, please refer to the announcements of the Company dated 19 June 2015 and 26 June 2015.

Subsequently, on 27 November 2015, the Group, Conch International and Conch Cement jointly announced a major and connected transaction ("Transaction") of the Company whereby the Group has conditionally agreed to acquire (the "Acquisition"), and Conch Cement has conditionally agreed to sell, the entire equity interest in four target companies principally engaged in the manufacture and sale of cement in Shaanxi Province with cement plants located in the Baoji and Xianyang Districts of Central Shaanxi Province, with an aggregate cement capacity of 10.4 million tons per annum. The consideration for this Acquisition will be satisfied by the issue of 3,402,876,000 consideration Shares ("Consideration Shares") to Conch International at the issue price of HK$1.35 per Consideration Share. Upon completion of the acquisition ("Acquisition Completion") and taking into account the 1,147,565,970 Shares already held by Conch International as at the date of the joint announcement on 27 November 2015 ("Joint Announcement"), Conch International will be interested in an aggregate of 4,550,441,970 Shares, representing between approximately 50.97% and 51.57% (depending on the number of outstanding share options having been exercised and assuming no other Shares or share options of the Company are issued or repurchased before completion other than the Consideration Shares) of the enlarged issued share capital of the Group, and the Group will become an indirect non-wholly owned subsidiary of Conch Cement.

The completion of this Acquisition has not taken place yet and is subject to a number of conditions being satisfied or waived by the Company and/or Conch Cement, one of which was the passing by the independent shareholders of the Company of the relevant resolutions to approve the Acquisition agreement and the transactions contemplated thereunder (which was obtained on 19 January 2016). Subject to the Acquisition Completion, Conch International will be required under Rule 26.1 of the Takeovers Code to make mandatory unconditional cash offers (the "Offers") for all the issued securities of the Group which it does not already own.

Conch International has further stated in the Joint Announcement that it intends to maintain the listing of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") after the close of the Offers. In the event that after the closing of the Offers, the public float of the Company falls below 25%, the then directors of Conch International and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offers to ensure that sufficient public float exists for the Shares.

For further information relating to the Acquisition, please refer to the Joint Announcement, the supplemental joint announcement issued by the Company, Conch International and Conch Cement dated 29 December 2015, the circular of the Company dated 31 December 2015, the announcement of the poll results of the extraordinary general meeting of the Company dated 19 January 2016 and the second supplemental joint announcement issued by the same parties dated 29 February 2016.

The potential implications of the Acquisition in regards to the resolution of the oversupply issue in Shaanxi Province is discussed in more detail in the "Prospects" section below.

Operating Environment

As in 2014, a key feature of the Group's operational performance in 2015 has been the continued differentiation between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 11.4 million tons; or 13.6 million tons after the acquisition of the Yaowangshan Cement Plant in November 2015) which have been poor. Such difference has been due to the different supply side factors in the two areas but has also been influenced by contrasting demand factors in these areas.

Shaanxi Province as a whole has seen quite a significant fall in Fixed Asset Investment ("FAI") growth rates in the year ended 31 December 2015. FAI growth in 2015 was approximately 8% year on year, representing a slowdown from the 17.8% registered in 2014. The drop in FAI growth has led to falls in demand for cement products from all producers in the Central Shaanxi area of between 10% and 20%, and this contraction of demand has been prominent in the residential property and infrastructure markets, resulting in poor ASPs in this area. Southern Shaanxi, however, has continued to enjoy higher infrastructure led construction growth. FAI growth rates in the south have been above the provincial average and have supported a more stable cement market with continued ASP premiums as compared to the centre of the province.

An important mitigating factor to the poor ASPs has been a continued fall in costs. This is both as a result of falls in coal prices, which have impacted Cost of Goods Sold ("COGS"), and the Group's implementation of efficiency and cost cutting measures. Lower input prices as well as efficiency gains in the use of inputs have resulted in falls in cost of production of approximately RMB10 per ton of cement and clinker produced as compared with 2014. These lower costs have been accompanied by lower gross interest expenses following the Group's refinancing of its Senior Notes in 2014 as well as interest cuts on the Group's local RMB bank loans.

A further development in 2015 that has impacted the Group's operations was a change to the VAT rebates system, implemented in July 2015, for the recycling of industrial waste as a production input. This change is designed to speed up the elimination of use of low-grade cement as well as the closure of smaller inefficient capacity. Under the new tax regime, the amount of VAT rebate has been reduced from 100% of VAT on cement using waste inputs to 70% of VAT. In addition, the amount of waste input needed to attract this rebate has been raised to 40% for low-grade (32.5) cement but lowered to 20% for high-grade (42.5) cement. The full impact of this change has not yet been reflected in the Group's results over a full financial year. Although there is a reduction in the proportion of VAT that can be reclaimed on low-grade cement products, this move has the effect of promoting increased use of high-grade cement products and results in a higher proportion of the Group's high-grade cement products qualifying for VAT rebates.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained relatively stable during 2015. The supply side has remained rational, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

Demand in this region has remained reasonable during 2015, supported by continued growth in railway and road infrastructure project construction. The Xi'an to Chengdu High Speed Railway and the Baoji to Hanzhong Expressway have been, amongst others, particularly important demand drivers; and the commencement of construction of the Ankang to Yangpingguan Double Track Railway and the Zhashui to Shanyang Expressway in the second half of 2015 has added to this demand scenario. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project and the Southern Shaanxi Resettlement Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have fallen by close to 6.5% to approximately 7.21 million tons in 2015 (2014: 7.72 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition has supported pricing in Ankang District in particular. During 2015, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB223 per ton (excluding VAT), which is higher than the Group's total ASP of RMB200 per ton, with capacity utilization at approximately 74%.

Central Shaanxi

The Central Shaanxi market has remained much tougher with actual falls in demand, especially from the Xi'an Metropolitan market, leading to cement sales volume falls of between 10% and 20% amongst all producers in this region. This low demand scenario has been exacerbated by the imbalances between supply and demand already existing in the area. Central Shaanxi is an area that has seen a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition.

The contraction of demand scenario in 2015 was prominent in both residential and infrastructure markets, and has led to voluntary production halts by all producers during low season periods. During 2015, the Group has continued to maintain its market share in Eastern Xi'an, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the construction of Line 4 of the Xi'an Metro, the Xi'an to Xianyang Ring Road Project and the Weinan to Yushan and Tongchuan to Xunyi Expressways.

Sales volumes in Central Shaanxi have fallen by close to 15% to approximately 7.23 million tons in 2015 (2014: 8.46 million tons) and have been accompanied by weak ASPs. Production halts in the first quarter of 2015 had led to some price hikes in April, although subsequent weak demand led to further ASP falls into the second half of the year. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB183 per ton (excluding VAT), which is lower than the Group's total ASP of RMB200 per ton, with capacity utilization at approximately 63%.

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province have remained slow in 2015. The Group has sold approximately 808,000 tons of mostly low-grade cement from its Southern Xinjiang Luxin and Yutian plants. In addition, the Group's Northern Xinjiang Yili Plant was fully commissioned in April 2015 and has contributed a further 490,000 tons of sales, resulting in a total sales volume in Xinjiang of approximately 1.298 million tons. This compares with total Xinjiang sales volume of 826,000 tons in 2014. ASP's in Xinjiang have been patchy, with the Group recording reasonable levels at its Luxin Plant but low ASP's at its Yutian and newly commissioned Yili Plants.

In Guizhou Province, the Group's new Guiyang Huaxi Plant was also fully commissioned in April and contributed approximately 1.08 million tons of cement. Whilst volumes at the Huaxi Plant have been good, due to its location advantage in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area, ASPs have been low with negative margins due to market introductory entry pricing levels.

Non-Operating Financial Highlights

For the year ended 31 December 2015, there have been two non-cash financial factors that have had a substantial negative impact on the Group's results in the current financial year. Firstly, as a result of the fall in the value of the RMB against the USD in the second half of 2015, the Group has recorded a foreign exchange loss of RMB157.1 million, mainly arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014. Secondly, the Board has taken the decision to record a significant write-off of construction in progress of RMB124.4 million on the Group's property, plant and equipment for the year ended 31 December 2015. This write-off has been mainly taken against the capitalised interest and construction expenditure on the construction of new capacity that the Board has decided to suspend indefinitely. The Board believes that, while the write-off was recorded in compliance with the applicable accounting standards, its effect will result in a healthier statement of financial position of the Group going forward.

Energy Conservation, Emissions & Environmental

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

Management Discussion and Analysis

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2015, these systems are operational at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

During 2015, the Group completed the installation of De-nitration ("De-NOx") equipment at its Xinjiang Luxin and Xinjiang Yutian Plants, thus completing the installation of this equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed prior to the current period, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. New clinker storage sheds have also been completed at the Group's Lantian and Fuping Plants during the year, further reducing dust emissions.

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with 蕪湖海螺投資有限公司 Wuhu Conch Investment Ltd.* ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day", a company incorporated in the British Virgin Islands which is 100% owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director) pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into 西安堯柏環保科技工程有限公司 Xi'an Yaobai Environmental Technology Engineering Co., Ltd.* ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

Upon completion of the capital injection under the investment agreement, Yaobai Environmental will be owned as to 60% by Wuhu Conch, 20% by 陝西全創科工貿有限公司 Shaanxi Quanchuangke Industrial and Trading Co., Ltd.* ("Quanchuangke", a company incorporated in the PRC and ultimately wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement) and 20% by Yaobai Special Cement. Yaobai Environmental will then cease to be an indirect wholly-owned subsidiary of the Company.

The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC. The capital injection from the investors under the Investment Agreement will provide additional financial resources to Yaobai Environmental and paves the way for further collaboration among the parties. The Investment Agreement was not completed yet as at 31 December 2015 and therefore Yaobai Environmental's financial information has been consolidated into the Group's financial information for the year ended 31 December 2015.

Yaobai Environmental's operations currently include Phase I & Phase II of the Lantian Cement Kiln Waste Sludge Treatment Facility ("Lantian Waste Treatment Facility"). Phase I has been in full operation in 2015, and Phase II of this facility has been operational since November 2015. Work has also continued on the construction of a Municipal Waste Treatment Facility at the Group's Fuping Plant during 2015 and Phase I of this facility is currently undergoing test production.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continually reviews these procedures in accordance with evolving environmental and safety regulations in the PRC. In 2015, the Group has focused its EHS (Environmental, Health & Safety) efforts on completing accident emergency rescue procedure training for each member of staff as well as the initiation of a number of other safety related training courses. In addition, the Group has completed the second phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner Italcementi S.P.A. This second phase of the project has involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

In order to further improve its environmental impact and safety procedures, the Group joined the Cement Sustainability Initiative (CSI) in 2015, a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). Each CSI member is required to demonstrate commitments and achievements, including regular audits, to the following broad areas: C02 & Climate Protection, Responsible use of fuels and raw materials, Employee Health & Safety, Emission Reduction, Local Environmental Impact, Water and Reporting Practices.

During the period, charitable donations made by the Group amounted to RMB6.1 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Expansion and Acquisitions

In April 2015, the Group completed the construction and full commissioning of the Xinjiang Yili Cement Plant and the Guiyang Huaxi Cement Plant. The Xinjiang Yili Plant, located in Yining County in the Ili Kazakh Autonomous Prefecture in North-West Xinjiang Province, has a capacity of 1.5 million tons. The Guiyang Huaxi Plant, with a capacity of 1.8 million tons, is located in close proximity to Guiyang City centre, the capital of Guizhou Province, and within the Guiyang — Anshun ("Gui-An") New Area.

In November 2015, the Group completed the acquisition of 銅川藥王山生態水泥有限公司 (Tongchuan Yaowangshan Ecological Cement Co., Ltd.*) ("Yaowangshan Cement"), whose cement plant ("Yaowangshan Cement Plant") is located in Tongchuan District of Shaanxi Province with an annual cement production capacity of approximately 2.2 million tons and a strong emphasis on environmentally friendly cement production technology.

On 27 November 2015, the Company announced that the Group has conditionally agreed to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interest in four target companies principally engaged in manufacture and sale of cement in the Shaanxi Province. Please refer to the "Conch International's Subscription of New Shares and announcement of Major and Connected Transaction with Conch Cement" section above for further details.

PROSPECTS

The tough operating environment faced by the Group in 2015 reflected problems in both the supply side structure of the cement industry in Shaanxi Province as well as lacklustre demand in Shaanxi Province and in the PRC as a whole. Whilst demand in Shaanxi was disappointing in 2015, with an approximate 13% fall in cement sales as compared with 2014, the Company is cautiously optimistic about the outlook for infrastructure construction and urbanisation into 2016 and beyond. However, it is the resolution of the fragmented nature of the supply side that is of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Implications of Conch International's Share Subscription & Major and Connected Transaction of the Company

The subscription for new Shares in the Company by Conch International in June 2015, and the subsequent announcement on 27 November 2015 of a major and connected transaction of the Company, involving the Group's acquisition ("Acquisition") of a substantial portion of Conch Cement's operations in Shaanxi Province (the "Target Companies"), represents a major step forward for the Group and for the cement industry in Shaanxi Province. Supply side reform and industry consolidation are important to the healthy development of the cement industry in China and such moves are fully supported by the industry and the PRC Government.

The Group has long recognized that it is the supply side that is of primary importance in the structure of the cement industry in Shaanxi Province, and has long advocated the need for a significant consolidation move in order to achieve the resolution of the fragmented nature of this supply side and promote market discipline. The importance of the supply side is due to the land locked nature of Shaanxi Province, and the surrounding areas of Northern Sichuan and Eastern Gansu, where transportation is a significant cost factor in the marketing of cement products.

Whilst the supply side has been fragmented, partly driven by the Silk Road Economic Development and Western Development Policies of the PRC Government, growth prospects led by infrastructure development and urbanization remain strong. With this demand scenario, the consolidation represented by the Acquisition can prove transformational in promoting a disciplined market in the region going forward.

Management Discussion and Analysis

The Group currently possesses a very strong strategic asset of over 23.3 million tons of cement capacity in Shaanxi Province, concentrated in the south and east of Shaanxi Province. The capacity in Southern Shaanxi has proved its geographical advantage by maintaining disciplined supply to the infrastructure and rural markets in the southern districts of Shangluo, Ankang and Hanzhong. The capacity in Eastern Shaanxi is superbly located close to the Xi'an Metropolitan market, benefiting from urbanisation and social infrastructure development in Xi'an, and the districts of Weinan and Tongchuan. The Group has additional cement capacity of 5.9 million tons in the western provinces of Xinjiang and Guizhou.

The Target Companies have a very strong footprint in the Baoji and Xianyang Districts of Western Shaanxi, with approximately 10.4 million tonnes of cement capacity. There is no overlap with the Group's existing production areas, and therefore the Acquisition represents an incremental geographical expansion of the Group's production and marketing capabilities.

Moreover, upon the Acquisition Completion, the Target Companies will become wholly-owned subsidiaries of the Group and Conch Cement is expected to become the indirect controlling shareholder of the Group, resulting in the Group becoming a Stock Exchange-listed subsidiary of Conch Cement. This will enable the Group and Conch Cement to achieve synergies in the manufacturing and sale of cement in Shaanxi Province, and can unify the operation and management of cement production capacity in the region under a single platform, thereby improving business efficiency and enhancing the effect of development strategies for both parties in the region. As part of these synergies, Conch Cement intends to introduce advanced technology and management experience to the Group.

The Transaction with Conch Cement represents a major move to consolidate and rationalise the cement industry in Shaanxi Province and surrounding areas, and the Group believes that this further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2016 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in 2016 as compared with 2015. Infrastructure demand is expected to remain reasonable and there are a number of major new projects that have commenced or are due to commence in 2016, but significant growth is not expected. Urban property demand is also uncertain but rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

In regards to the supply side, the Group does see increasing discipline amongst producers into 2016, both as a result of the low pricing environment and in light of the consolidation move represented by the Group's Transaction with Conch Cement. The Transaction is expected to increase the market share of the Group in Shaanxi Province significantly, and the location and clientele of the Target Companies are different from those of the existing Group. The Group therefore expects to see an expansion of its customer base, improved sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, voluntary production halts by all producers are expected to remain an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2016. The largest of these, the Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) has commenced construction in March 2016 and is expected to consume over 800,000 tons of cement. The Pucheng to Huanglong, Heyang to Fengxiang and Chengxian to Weizhuang Expressway's are also due to start in 2016 and these will consume up to 1 million tons of cement. In addition, Metro (Lines 4,5,6) and Central Shaanxi Intercity Railway construction, as well as the expansion of the Xi'an Railway Station and other urban regeneration projects are expected to boost demand in this area.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activity, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction at the large railway, road and water projects in Southern Shaanxi are expected to proceed normally in 2016. The Xi'an to Chengdu High Speed Railway and Baoji to Hanzhong Expressway are all continuing with bulk consumption. The Ankang to Yangpingguan Double Track Railway, Shanyang to Zhashui Expressway and Pingli to Zhenping Expressway have recently started or are scheduled to start construction and are expected to generate increasing demand into 2016. In addition, the Group expects to see good demand from a number of new Hydropower projects in 2016, including the Hanjinag Xunyang, Zhen'an Yuehe and Hanjiang Baihe Hydropower Stations, and other projects related to the Hanjiang to Weihe River Water Transfer project in 2016.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2016. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to demand in 2016. These include the Yutian Ji Yin Hydro Project, the Hotan Airport Extension, the Moyu to Hetian Section Expansion of the 3012 National Road and the Pishan Akeqiao Hydro Project. In Northern Xinjiang, the new 1.5 million ton Yili Plant commenced full operations in April 2015, but volumes and pricing have remained low. The Group expects to see more volume sold from the Yili Plant in 2016 and an improvement in pricing once the plant is established in the local market and the new capacity is absorbed. In Guizhou, the new 1.8 million ton Huaxi Plant, which is very well located close to Guiyang City Centre, also commenced operations in April 2015. The Group expects this plant to benefit from its location advantage in 2016, with a continuation of strong volumes coupled with ASP improvements as the plant establishes itself in the local market.

Costs

The Group will continue to implement a number of cost cutting measures, which are expected to benefit COGS and selling, general and administrative expenses in 2016. These measure include administrative and head office cost cuts, headcount reductions and staff incentives to promote efficient use of raw materials and resources. These cost savings are accompanied by lower interest expenses as well as the benefit gained from low coal costs in general. The Group has already seen a positive effect from these cost cutting measures in 2015 and expects increased benefits into 2016.

In addition, the Group believes that the Transaction with Conch Cement will also have a significant positive impact on costs. Subsequent and subject to the Acquisition Completion, the Group will see a significant rise in its market share in Shaanxi Province and Conch Cement will be the indirect controlling shareholder of the Group. The Group expects that a significant portion of raw materials would be purchased together with Conch Cement such that the combined entities will have a bigger bargaining power with suppliers, thereby reducing costs. The Group also expects to see this benefit in its operations in Guizhou Province, where Conch Cement has significant capacity.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans further implementation of measures to strengthen environmental management and monitoring during the second half of the year and will also implement the third phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner Italcementi S.P.A. The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health & safety.

Management Discussion and Analysis

The Group is looking forward to continuing its work in the building out of waste treatment facilities at its plants together with Conch Venture and Mr. Ma's investment vehicle through the joint investment in Yaobai Environmental. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian and Fuping Plants as well as its other plants in the future. Phase I and Phase II of the Lantian Waste Treatment Facility are expected to be fully operational in 2016 and Phase I of the Fuping Waste Treatment Facility is expected to commence full operations in the first half of 2016.

Capital Expenditure

Following the commissioning of the Group's two new plants in Xinjiang and Guiyang and the acquisition of the Yaowangshan Cement Plant, the Group has no particular plans for capacity expansion apart from the Transaction with Conch Cement.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 9.8% from RMB3,883.4 million for the year ended 31 December 2014 to RMB3,500.9 million for the year ended 31 December 2015. Cement sales volume fell marginally by 1.2%, from approximately 17.0 million tons to approximately 16.8 million during the year. Including clinker sales, total sales volume for the year ended 31 December 2015 amounted to approximately 17.1 million tons, compared to the 17.7 million tons sold in 2014.

During the year under review, the newly constructed Xinjiang Yili and Guiyang Huaxi Cement Plants received their relevant operating licenses and were fully commissioned on 1 April 2015. Combined sales of approximately 1.58 million tons of cement from these two new plants have been included in the Group's profit and loss accounts from this date onwards. Any sales prior to this date have been capitalized and not included in the Group's profit and loss accounts. There has also been a small contribution of 78,000 tons of cement sales from the Yaowangshan Cement Plant, which was acquired in November 2015.

Overall cement prices have been lower than those seen in 2014, and this has resulted in lower revenues. Cement ASPs for the year ended 2015 were RMB200 per ton as compared with RMB220 per ton in 2014. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales fell by 7.5% from RMB3,285.3 million for the year ended 31 December 2014 to RMB3,037.4 million for the year ended 31 December 2015.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months, as well as an approximate 6.7% fall in coal consumption volume as compared with 2014, due to both coal utilization efficiency gains and lower volumes of cement production. The average cost per ton of coal decreased by approximately 21.3% to approximately RMB311 per ton from approximately RMB395 per ton in 2014. This has resulted in a cost saving of approximately RMB11.0 per ton of total cement and clinker produced, with total coal costs decreasing by approximately 28.8% as compared with 2014.

There were also savings in electricity costs mainly as a result of an approximate 11.0% fall in electricity consumption volume as compared with 2014, due both to electricity utilization efficiency gains and lower volumes of cement production. Average cost of electricity, after taking savings from the waste heat recycling systems into account, decreased by approximately 1.6% to approximately RMB0.423 per kwh from approximately RMB0.430 per kwh in 2014. This has resulted in an electricity cost saving of approximately RMB3.0 per ton of total cement and clinker produced, with total electricity costs decreasing by approximately 12.8% as compared with 2014.

There have been no significant changes in material costs and consumption during the year.

The cost savings from lower coal prices have been partially offset by higher depreciation costs, staff costs, and environmental protection costs which are reflected both in depreciation and other costs.

Total depreciation costs increased by approximately 7.9%, or approximately RMB39.4 million, as compared with 2014. This was mainly due to the effect of lower capacity utilization levels during the year and the increase in operating capacity following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Cement Plants in April 2015, as well as other plant modifications and upgrades relating to more stringent emission standards that do not have a direct bearing on sales volume or capacity increases.

Management Discussion and Analysis

Staff costs increased by approximately 9.5%, or approximately RMB15.1 million, as compared with 2014. The rise in staff costs has mainly been due to the increase in operating capacity and staff expenses following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Cement Plants, but this has been partly counterbalanced by the Group's implementation of staff cost cutting measures during 2015.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB134.6 million, or 22.5%, from RMB598.1 million for the year ended 31 December 2014 to RMB463.5 million for the year ended 31 December 2015. The fall in gross profit was mainly due to the decrease in ASPs described above. Gross profit margins therefore decreased from 15.4% for the year ended 31 December 2014 to 13.2% for the year ended 31 December 2015.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 4.8% from RMB258.2 million for the year ended 31 December 2014 to RMB270.6 million for the year ended 31 December 2015. The modest rise in administrative expenses has been due to the increase in capacity due to the commissioning of the Xinjiang Yili and Guizhou Huaxi Plants as well as the acquisition of the Yaowangshan Cement Plant. The implementation of cost cutting measures throughout 2015 has partly mitigated the rise in administration expenses. Selling & Marketing expenses rose by 20.1% from RMB35.8 million to RMB43.0 million as compared with 2014.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income decreased by approximately 26.2% from RMB148.2 million for the year ended 31 December 2014 to RMB109.4 million for the year ended 31 December 2015. The ratio of VAT rebates over revenue was 2.7% for the year (year ended 31 December 2014: 3.3%). The fall in the VAT rebates was mainly due to the following factors. Firstly, the decreases in ASPs, with lower ASPs resulting in lower output VAT which in turn results in lower net VAT and rebates. Secondly, the changes in the VAT rebate system that was implemented in July 2015 which is discussed in more detail in the "Management Discussion and Analysis" section. Each of these two factors accounted for approximately half of the fall in VAT rebates as compared with 2014.

Other Gains and Losses, net

Other losses increased by RMB202.6 million from a RMB94.9 million loss for the year ended 31 December 2014 to a RMB297.6 million loss for the year ended 31 December 2015. The change was due to two main factors. Firstly, there was an unrealized foreign exchange loss of RMB157.1 million relating to the Group's Senior Notes, as a result of the weakness of the RMB against the USD in 2015, as compared with a foreign exchange loss of RMB5.3 million for the year ended 31 December 2014. Secondly, the Group has taken a written-off of the construction in progress of RMB124.4 million (2014: Nil) on a historic construction project in Weinan that the Board has decided to suspend indefinitely. For the year ended 31 December 2014, the Other Losses were primarily due to the payment of an early redemption premium of RMB92.2 million on the redemption of the 2016 Senior Notes during the year.

Interest Income

Interest income increased by RMB13.4 million from RMB4.9 million for the year ended 31 December 2014 to RMB18.3 million for the year ended 31 December 2015.

Finance Costs

Finance costs increased by RMB9.4 million, or 4.1%, from RMB227.1 million for the year ended 31 December 2014 to RMB236.5 million for the year ended 31 December 2015. Gross finance costs, before adjusting for interest capitalization, decreased from RMB322.2 million for the year ended 31 December 2014 to RMB265.5 million for the year ended 31 December 2015. The fall in gross finance costs, before adjusting for interest capitalization, was mainly due to a fall in the interest payable on the Group's senior notes as a result of the refinancing of these senior notes in September 2014 at lower interest rates.

Interest capitalized as part of the costs of assets for the year ended 31 December 2015 was RMB30.1 million, a decrease of RMB65.8 million as compared with RMB95.9 million for the year ended 31 December 2014.

Income Tax Expense

Income tax expenses decreased by RMB44.7 million, or 46.8%, from RMB95.5 million for the year ended 31 December 2014 to RMB50.8 million for the year ended 31 December 2015. Current income tax expense decreased by RMB7.3 million to RMB84.5 million, whereas deferred tax credits increased by RMB37.4 million to RMB33.7 million for the year ended 31 December 2015.

Although there has been a decrease in the Group's current income tax expenses during the year, the percentage of this decrease is less than the percentage decrease in gross profit and profit before tax. This is mainly due to the following reasons. Firstly, certain of the Group's operating subsidiaries have incurred a loss and these losses cannot be offset against gains from other operating subsidiaries. Secondly, as stipulated by a notice issued by the State Administration of Taxation on 10 March 2015, certain of the Group's subsidiaries have ceased to enjoy the preferential EIT rate of 15%, with the EIT rate applicable to these subsidiaries reverting to 25% during the year.

The increase in deferred tax credits was mainly due to an increase in the recognition of tax losses as deferred tax assets. During the year, RMB24.9 million of deferred tax assets relating to tax losses were recognized and credited to the profit and loss, while RMB7.4 million of tax losses were reversed and charged to the profit and loss during the previous period.

The detailed income tax expenses for the Group are outlined in note 13 to the condensed consolidated financial statements below.

(Loss)/Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB35.9 million for the year ended 31 December 2014 to a loss of RMB309.2 million for the year ended 31 December 2015. This large loss is primarily due to the unrealized foreign exchange loss of RMB157.1 million relating to the Group's Senior Notes and the Board's decision to incur a written-off of construction in progress of RMB124.4 million, as well as poor cement ASPs as compared with 2014.

Basic earnings per share for the year ended 31 December 2015 decreased from RMB0.8 cents for the year ended 31 December 2014 to a loss per share of RMB6.2 cents for the year ended 31 December 2015.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2015, the Group's total assets increased by 5.7% to RMB11,382.5 million (31 December 2014: RMB10,768.0 million) while total equity increased by 17.7% to RMB5,903.9 million (31 December 2014: RMB5,016.5 million). During 2015, the Company issued 903,467,970 new Shares to Conch International at a price of HK$1.69 and these Shares were subsequently allotted to Conch on 26 June 2015, resulting in a total number of Shares in issue of 5,420,807,820.

As at 31 December 2015, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB528.2 million (31 December 2014: RMB707.7 million). After deducting total borrowings, Senior Notes and medium term notes issued in the first half of 2013 ("MTN") of RMB3,903.9 million (31 December 2014: RMB4,117.3 million), the Group had net debt of RMB3,375.7 million (31 December 2014: RMB3,409.6 million). 84.7% (31 December 2014: 80.0%) of borrowings are at a fixed interest rate. As at 31 December 2015, the Group also held wealth management products operated by banks of RMB253 million (2014: Nil) at an annual return rate of 5.1% and maturing in September 2016. Please refer to notes 30, 31, 32 and 41 of the condensed consolidated financial statements below for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 31 December 2015, the Group's net gearing ratio, measured as net debt to equity, was 57.2% (31 December 2014: 68.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 31 December 2015, the Group had net current liabilities of RMB727.5 million (31 December 2014: RMB504.8 million). This net amount includes bank and other borrowings of RMB538.4 million (31 December 2014: RMB745.2 million) classified as current liabilities as well as RMB799.1 million of MTN which mature in March 2016. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due and has facilities in place to re-finance the Medium Term Notes.

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, prepaid lease payments and mining rights, for year ended 31 December 2015 amounted to RMB363.04 million (year ended 31 December 2014: RMB719.5 million). Capital commitments as at 31 December 2015 amounted to RMB14.3 million (31 December 2014: RMB180.5 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities and waste treatment facilities and upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 4,661 (31 December 2014: 4,947) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2015, employees benefit expenses were RMB299.5 million (year ended 31 December 2014: RMB281.0 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

In November 2015, the Group entered into an agreement to acquire a 100% equity interest of Yaowangshan Cement for a consideration of approximately RMB391.65 million and the assignment of a shareholders loan in the amount of approximately RMB375.58 million. Yaowangshan Cement is located in the Yaowangshan region of Tongchuan District, Shaanxi Province. The Yaowangshan Cement Plant that it operates is primarily engaged in the production and sale of cement, with an annual capacity of approximately 2.2 million tons of cement and a strong emphasis on environmentally friendly cement production technology.

For further details in relation to the above acquisition, please also refer to the announcement of the Company dated 2 November 2015.

On 27 November 2015, the Company announced that the Group has conditionally agreed to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interest in four target companies principally engaged in manufacture and sale of cement in the Shaanxi Province. Please refer to the "Conch International's Subscription of New Shares and announcement of Major and Connected Transaction with Conch Cement" section above for further details.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the year ended 31 December 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2015, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Senior Notes issued by the Company in September 2014 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2015, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2015.

BOARD OF DIRECTORS

Responsibilities of the Board

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

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

Board Composition

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2015, comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Board members are listed below:

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

Non-executive Directors:
Mr. Ma Zhaoyang
Ms. Liu Yan
Mr. Qin Hongji

Independent non-executive Directors:
Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny

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

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

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

Biographical information of the Directors is set forth on page 34 to 36 of this annual report.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2015, the roles and duties of the Chairman and the Chief Executive Officer of the Company were carried out by different individuals and had been clearly defined in writing.

During the year ended 31 December 2015, the Chairman of the Board was Mr. Zhang Jimin and the Chief Executive Officer was Dr. Ma Weiping. The positions of Chairman and Chief Executive Officer were held by separate persons in order to preserve independence and a balance of views and judgements. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2015, there were two in-house seminars conducted covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance ("SFO").

Corporate Governance Report

Details regarding the trainings attended by the Directors during the year ended 31 December 2015 are as follows:

Directors	External training	In-house seminars
Executive Directors		
Mr. Zhang Jimin	–	2/2
Dr. Ma Weiping	–	2/2
Mr. Tian Zhenjun (resigned on 5 February 2015)	–	1/2
Mr. Wang Jianli (resigned on 1 July 2015)	–	1/2
Ms. Low Po Ling (resigned on 5 February 2015)	–	1/2
Non-Executive Directors		
Mr. Ma Zhaoyang	–	2/2
Mr. Frank Wu (appointed on 15 April 2015 and resigned on 22 September 2015)	–	1/2
Ms. Liu Yan (appointed on 1 July 2015)	–	1/2
Mr. Qin Hongji (appointed on 1 July 2015)	–	1/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	3	2/2
Mr. Wong Kun Kau	–	2/2
Mr. Tam King Ching Kenny	11	2/2

DELEGATION BY THE BOARD

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

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

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

BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2015, five Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

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

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2015 ("2015 AGM") during the year ended 31 December 2015:

Directors	Number of Board meetings attended	2015 AGM attended
Mr. Zhang Jimin	6/6	1/1
Dr. Ma Weiping	6/6	1/1
Mr. Tian Zhenjun	0/6	0/1
Mr. Wang Jianli	2/6	0/1
Ms. Low Po Ling	0/6	0/1
Mr. Ma Zhaoyang	6/6	1/1
Mr. Frank Wu	2/6	1/1
Ms. Liu Yan	2/6	0/1
Mr. Qin Hongji	2/6	0/1
Mr. Lee Kong Wai Conway	6/6	1/1
Mr. Wong Kun Kau	3/6	1/1
Mr. Tam King Ching Kenny	6/6	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

— considering any other topics as defined by the Board.

The table below sets out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2015.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	2/2
Mr. Wong Kun Kau	2/2
Mr. Tam King Ching Kenny	2/2

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2015.

Director	Number of Remuneration Committee meetings attended
Mr. Zhang Jimin	1/1
Mr. Wong Kun Kau	1/1
Mr. Tam King Ching Kenny	1/1
Mr. Lee Kong Wai Conway	1/1

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 16 to the consolidated financial statements.

NOMINATION COMMITTEE

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

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

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

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

No meeting of the Nomination Committee was held during the year ended 31 December 2015.

INTERNAL CONTROL

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 51 of this annual report.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 51 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2015 is as follows:

	2015 RMB'000
Audit services	1,860
Non-audit services	830
Total	2,690

INVESTOR RELATIONS

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

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

During the year, the executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2014 Annual Results and our 2015 Interim Results. In addition, the Company has participated in a number of major investor conferences as well as other communications with investors and market participants.

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

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

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

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

- Eligible Shareholders who wish to convene an extraordinary general meeting must deposit the Requisition signed by the Eligible Shareholder(s) concerned at the registered office of the Company at 47 Esplanade, St Helier, Jersey JE1 0BD, for the attention of the Company Secretary of the Company.

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

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

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

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

Making enquiry to the Board

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

Directors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 61, the founder of the Group, is currently the Chairman and executive Director of the Company. He is responsible mainly for the Group's overall strategic planning and investment decisions. Mr. Zhang is also a director of a number of the Group's subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

Mr. Zhang has more than 25 years of experience in the cement industry. He was the factory manager of the Shaanxi Province Pucheng County Hanjing Town Second Cement Factory (one of the predecessors of our production facility in Pucheng) from 1985 to December 1990 and the manager of the Pucheng County Hanjing Town Cement Factory (another predecessor of our production facility in Pucheng) thereafter. These two small cement facilities represent the origins of West China Cement, demonstrating the growth of the Group under the management of Mr. Zhang.

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

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

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

Dr. Ma Weiping — Chief Executive Officer

Dr. Ma, aged 54, was appointed as a non-executive Director of the Company in June 2012 and redesignated as an executive Director and chief executive officer of the Company in February 2015. He has over 20 years of management and technical experience in the building materials industry in both the United States of America and China. From 1996 to 2002, Dr. Ma served as a senior process engineer and project manager for Holcim in Michigan, United States. From 2002 to 2005, Dr. Ma served as a vice president of marketing and sales for Lafarge (China) in Beijing and served in a similar position for Lafarge Shuion Cement from 2005 to 2008. From 2008 to 2009, he served as a general manager and vice president for Lafarge A&C in Chongqing. Preceding his appointment as a non-executive Director, from 2009 to June 2012, Dr. Ma was also a chief representative and managing director of Fuping Cement, a company wholly owned by Italcementi Group. Dr. Ma currently cooperates with Italcementi Group in South-East Asia.

Dr. Ma received a bachelor's degree in Inorganic and Non-Metallic Materials from Tongji University, Shanghai in 1982, a master's degree in Solid State Science and a Ph.D in Material Science and Engineering from Pennsylvania State University in 1991 and 1994, respectively. Dr. Ma also obtained a Master of Business Administration in Integration Management from Michigan State University in 2002.

Non-executive Directors

Mr. Ma Zhaoyang — Non-executive Director

Mr. Ma, aged 47, was appointed as a non-executive Director of the Company on 29 July, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with the Company in respect of the overall strategic planning and operation of its business. Mr. Ma has been the chairman and director of Sino Vanadium Inc., a vanadium mining company listed on the TSX Venture Exchange in Canada since June 2009. He has also been a non-executive director of Taihua PLC, a pharmaceutical company listed on the LSE, where he has assumed an advisory role since December 2006.

Ms. Liu Yan — Non-executive Director

Ms. Liu, aged 49, is currently the head of the finance department of Conch Cement, a substantial shareholder of the Company. She has extensive experience in financial management, internal audit and internal risk management and control. Ms. Liu graduated from Tongling University majoring in planning and statistics in 1987.

From March 2006 to April 2010, Ms. Liu served as the head of finance department of Anhui Tongling Conch Cement Co., Ltd. ("Anhui Tongling"), a wholly-owned subsidiary of Conch Cement. From April 2010 to July 2013, Ms. Liu held various positions such as deputy chief accountant of Anhui Tongling and chief accountant of Suzhou Conch Cement Co., Ltd., a wholly-owned subsidiary of Conch Cement. From July 2013 to December 2014, Ms. Liu served as deputy head of the finance department of Conch Cement.

Mr. Qin Hongji — Non-executive Director

Mr. Qin, aged 52, is currently the regional head of Conch Cement in Shangan, and general manager of Pingliang Conch Cement Co., Ltd and Linxia Conch Cement Co., Ltd, both wholly-owned subsidiaries of Conch Cement. He has extensive experience in the operation and management of cement production organisation and external communication and coordination. Mr. Qin graduated from Anhui Construction Engineering School majoring in cement technology in July 1984 and from Wuhan University of Technology majoring in silicate technology in December 1989.

From November 1998 to April 1999, Mr. Qin served as the head of the department of safety production of Baimashan Cement Plant of Conch Cement. From March 2008 to June 2013, Mr. Qin held various leading positions such as regional deputy head of Conch Cement in Shanghai, general manager of Taicang Conch Cement Co., Ltd, general manager of Shanghai Mingzhu Conch Cement Co., Ltd. and general manager of Shanghai Conch Cement Co., Ltd, all subsidiaries of Conch Cement.

Independent non-executive Directors

Mr. Lee Kong Wai Conway — Independent non-executive Director

Mr. Lee, aged 61, was appointed an independent non-executive Director of the Company on 29 July, 2010. Mr. Lee serves as Chairman of the audit committee of the Company, member of the remuneration committee of the Company, and also member of the nomination committee of the Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited, Citic Securities Company Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, WH Group Limited and China Rundong Auto Group Limited, companies listed on the main board of the HKSE, since July 2010, November 2010, March 2011, November 2011, November 2012, November 2013, August 2014 and August 2014, respectively. He was also an independent non-executive director of China Taiping Insurance Holdings Company Limited, and Merry Garden Holdings Limited, companies also listed on the main board of the HKSE, from

Directors and Senior Management

October 2009 to August 2013 and from July 2014 to September 2015, respectively, and Sino Vanadium Inc., which was listed on TSX Venture Exchange in Canada, between October 2009 and December 2011. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

Mr. Wong Kun Kau —
Independent non-executive Director

Mr. Wong, aged 55, was appointed an independent non-executive Director of the Company on 29 July, 2010. Mr. Wong serves as the members of audit committee and remuneration committee of the Company. He is mainly responsible for bringing an independent judgement to bear on issues of strategy, policy, performance, accountability and resources of the Company. Making use of his extensive experience in investment and capital market, he is also responsible for advising the Company on its investment strategies and business development.

Mr. Wong received a bachelor's degree in social sciences from the University of Hong Kong in November 1982. He has 28 years of experience in fund management, securities broking and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. Mr. Wong has extensive experience in the Greater China region markets. He is the founder and currently the managing partner of Bull Capital Partners Ltd, a direct investment fund management company. Before founding Bull Capital Partners Ltd., Mr. Wong was the Head of Asia Investment Banking of BNP Paribas Capital (Asia Pacific) Limited from 2002 to 2007. Mr. Wong is also a non-executive Director of Sun. King Power Electronics Group Limited, a company listed on the main board of the HKSE since October 2010, an independent non-executive director of Conch Cement, Lifestyle Properties Development Limited and China Shengmu Organic Milk Limited, companies listed on the main board of the HKSE, since May 2012, September 2013 and July 2014, respectively, and an independent non-executive director of REF Holdings Limited, a company listed on the GEM Board of the HKSE since September 2015.

Mr. Tam King Ching Kenny —
Independent non-executive Director

Mr. Tam, aged 66, was appointed as an independent non-executive Director of the Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of the Company and also the members of the audit committee and nomination committee of the Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of the Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam is a member of the Small and Medium Practitioners Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam has also served as an independent non-executive director of seven other listed companies on the main board of the HKSE, namely, Kingmaker Footwear Holdings Limited, CCT Fortis Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited and BeijingWest Industries International Limited and CCT Land Holdings Limited, since May 1994, December 1999, February 1996, July 2004, September 2004, January 2014 and February 2016, respectively, and served as an independent non-executive director of a listed company on the GEM board of the HKSE, namely, North Asia Strategic Holdings Limited, till February 2013.

Directors and Senior Management

SENIOR MANAGEMENT

Yaobai Group

Mr. Wang Jiujun — Deputy Chief Executive Officer and Chief Administration Officer

Mr. Wang, aged 42, is mainly responsible for marketing planning, finance, administrative management of Yaobai Group. He is also a director of Hancheng Yaobai, Shifeng Yaobai and Shaanxi Fuping. Mr. Wang received a diploma in international accounting from Shaanxi Finance & Economy College in July 1995. He joined us in March 1998 and has held several positions in our Group including accountant, general accountant, finance manager, deputy manager and general manager of subsidiaries of our Group.

Mr. Liu Jianjun — Deputy Chief Executive Officer and Chief Technology Officer

Mr. Liu, aged 47, is mainly responsible for production, quality, technology and equipment operation. He received a diploma in business management from The Open University of China in 2012. Mr. Liu joined us since 1998 and has held several positions in our Group including Manager of Pucheng Plant, General Manager of Lantian Plant and General Manager of Hanzhong District. Mr. Liu has rich experience in production technology. He has won several prizes from Shaanxi Building Materials Industry Association of Technology Innovation.

Mr. Chu Yufeng — Chief Financial Officer

Mr. Chu, aged 37, is mainly responsible for financial management of Yaobai Group. Mr. Chu joined Shaanxi Yaobai as deputy chief financial officer in July 2012 and he was the deputy administration, finance and control director of Shaanxi Fuping from November 2010 to June 2012. Mr. Chu received a master degree in business administration from an international business joint program organised by Maastricht School of Management (MSM) of Netherlands and Independent University of Bangladesh in June 2005. He also graduated with a bachelor's degree in commerce in international accounting from Xi'an JiaoTong University in June 1999.

West China Cement Limited

Mr. Chan King Sau — Chief Financial Officer and Company Secretary

Mr. Chan, aged 38, joined the Company on 1 June, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. He was also appointed as the company secretary of the Company since June 2012. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Directors' Report

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are the manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on pages 112 to 115 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

BUSINESS REVIEW

The business review of the Group as at 31 December 2015 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 14 to 25.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2015, these systems are operational at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

During 2015, the Group completed the installation of De-nitration ("De-NOx") equipment at its Xinjiang Luxin and Xinjiang Yutian Plants, thus completing the installation of this equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed prior to the current period, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. New clinker storage sheds have also been completed at the Group's Lantian and Fuping Plants during the year, further reducing dust emissions.

MAIN RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cement. It is exposed to a variety of risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the above main risks and measures for risk reduction are set out in the note 5 of the consolidated financial statements below.

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

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

Regulators

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

During the year ended 31 December 2015, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

Shareholders

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 53.

No dividend was declared by the Company during the year ended 31 December 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 13 May 2016 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 13 May 2016 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 May 2016 (Tuesday). The register of members of the Company will be closed from 11 May 2016 (Wednesday) to 13 May 2016 (Friday), both days inclusive, during which period no transfer of shares will be registered.

TAX RELIEF

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the movement in reserves on page 117 and the consolidated statement of changes in equity on page 56, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB3,424 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2015 amounted to RMB6.1 million (2014: RMB1.0 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year under review are set forth in note 28 and note 38 to the consolidated financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Schemes", as at the end of and during the year ended 31 December 2015, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, total sales attributable to the top five customers of the Group were approximately 7.2% of total sales of the Group.

For the financial year ended 31 December 2015, total purchase attributable to the largest supplier accounted for approximately 6.1% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 20.5% of total purchases of the Group.

At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

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

Executive Directors

Mr. Zhang Jimin *(Chairman)*
Dr. Ma Weiping (redesignated to executive director and chief executive officer on 5 February 2015)
Mr. Tian Zhenjun *(Chief executive officer)* (resigned on 5 February 2015)
Mr. Wang Jianli (resigned on 1 July 2015)
Ms. Low Po Ling (resigned on 5 February 2015)

Non-executive Directors

Mr. Ma Zhaoyang
Mr. Franck Wu (appointed on 15 April 2015 and resigned on 22 September 2015)
Ms. Liu Yan (appointed on 1 July 2015)
Mr. Qin Hongji (appointed on 1 July 2015)

Independent non-executive Directors

Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny

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

None of the Directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set forth on pages 34 to 37 of the Annual Report.

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

Details of the emoluments of the Directors and the five highest paid individuals of the Company during the year ended 31 December 2015 are set in note 16 and note 17 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

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

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in note 39 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executive's Interests and Short Positions" and the "Share Option Schemes" below, at no time during the year ended 31 December 2015 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

1. CONNECTED TRANSACTION — INVESTMENT AGREEMENT IN RELATION TO AND DEEMED DISPOSAL OF EQUITY INTEREST OF YAOBAI ENVIRONMENTAL

In November 2015, the Company announced that its wholly-owned subsidiary, 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with 蕪湖海螺投資有限公司 Wuhu Conch Investment Ltd.* ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day"), pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into 西安堯柏環保科技工程有限公司 Xi'an Yaobai Environmental Technology Engineering Co., Ltd.* ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time. As Red Day is wholly-owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director of the Company, the Investment Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the capital injection under the investment agreement, Yaobai Environmental will be owned as to 60% by Wuhu Conch, 20% by 陝西全創工貿有限公司 Shaanxi Quanchuangke Industrial and Trading Co., Ltd.* ("Quanchuangke", a company incorporated in the PRC and ultimately wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement) and 20% by Yaobai Special Cement. Yaobai Environmental will then cease to be an indirect wholly-owned subsidiary of the Company. The Investment Agreement was not completed yet as at 31 December 2015 and therefore Yaobai Environmental's financial information has been consolidated into the Group's financial information for the year ended 31 December 2015.

For further information, please refer to the announcement of the Company dated 2 November 2015.

2. MAJOR AND CONNECTED TRANSACTION — ACQUISITION OF TARGET COMPANIES FROM CONCH CEMENT

On 27 November 2015, the Company announced that the Group has conditionally agreed to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interest in four target companies principally engaged in manufacture and sale of cement in the Shaanxi Province. Please refer to the "Conch International's Subscription of New Shares and announcement of Major and Connected Transaction with Conch Cement" section above for further details.

Save as disclosed above, no other related party transactions set out in Note 40 to the consolidated financial statements constituted connected transactions or continuing connected transactions under chapter 14A of the Listing Rules.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

As at 31 December 2015:

	Number of ordinary shares held as at 31 December 2015		Approximate % of issued share capital of the Company as at 31 December 2015
Name of Director	**Capacity**	**Total**	
Zhang Jimin	Interest of a controlled corporate	1,756,469,900 (L) *(Note 2)*	32.40%
Ma Zhaoyang	Interest of a controlled corporate	221,587,950 (L) *(Note 3)*	4.09%

Notes:

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

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

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

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

As at 31 December 2015:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 31 December 2015
Zhang Jimin	Beneficial Owner	10,100,000	0.186%
Ma Weiping	Beneficial Owner	9,487,500	0.175%
Ma Zhaoyang	Beneficial Owner	2,262,500	0.042%
Lee Kong Wai, Conway	Beneficial Owner	2,262,500	0.042%
Wong Kun Kau	Beneficial Owner	2,262,500	0.042%
Tam King Ching, Kenny	Beneficial Owner	2,262,500	0.042%

Save as disclosed above, as at 31 December 2015, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the HKSE pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2015, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

		As at 31 December 2015	
Name of shareholder	**Capacity**	**Number of ordinary shares of £0.002 each held** *(Note 1)*	**Approximate % of issued share capital of the Company**
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.40%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.17%
Anhui Conch Cement Co., Ltd. ("Conch Cement") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
Deutsche Bank Aktiengesellschaft	Beneficial owner	291,935,100 (L) 18,665,725 (S)	5.39% 0.34%
AllianceBernstein L.P	Beneficial owner	271,782,000 (L)	5.01%

Notes:

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

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

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

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 31 December 2015 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

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

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2015.

SHARE OPTION SCHEMES

The Company has adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010.

Post-IPO Share Option Scheme

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

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

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

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

2. **Participants of the Post-IPO Share Option Scheme:**
   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

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

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

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

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

   The total number of shares available for issue under the Post-IPO Share Option Scheme is 342,033,185 as at the date of this annual report, representing approximately 6.31% of the Company's issued share capital as at the date of this annual report.

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

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

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

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

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

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant.

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

9. **The remaining life of the Post-IPO Share Option scheme:**
It will remain in force for a period of 10 years.

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

During the year ended 31 December 2015:

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2015	Granted during the year ended 31 December 2015	Exercised during the year ended 31 December 2015	Lapsed during the year ended 31 December 2015	Outstanding as at 31 December 2015
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	4,000,000	—	—	1,000,000	3,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,700,000	—	—	—	3,700,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	3,400,000	—	—	3,400,000

Directors' Report

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme: Outstanding as at 1 January 2015	Granted during the year ended 31 December 2015	Exercised during the year ended 31 December 2015	Lapsed during the year ended 31 December 2015	Outstanding as at 31 December 2015
Tian Zhenjun (resigned on 5 February 2015)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,500,000	—	—	750,000	750,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	3,800,000	—	—	950,000	2,850,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,100,000	—	—	—	3,100,000
Wang Jianli (resigned on 1 July 2015)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,000,000	—	—	500,000	500,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,500,000	—	—	625,000	1,875,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,500,000	—	—	—	2,500,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	1,600,000	—	—	1,600,000
Low Po Ling (resigned on 5 February 2015)	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,200,000	—	—	2,200,000	—
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,400,000	—	—	3,400,000	—
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	8,000,000	—	—	8,000,000
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme Outstanding as at 1 January 2015	Granted during the year ended 31 December 2015	Exercised during the year ended 31 December 2015	Lapsed during the year ended 31 December 2015	Outstanding as at 31 December 2015
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	4,300,000	—	—	2,150,000	2,150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	18,250,000	—	—	5,162,500	13,087,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	33,400,000	—	—	1,300,000	32,100,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	13,300,000	—	—	13,300,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,200,000	—	—	550,000	1,650,000
Total				94,700,000	29,100,000	—	19,700,000	104,100,000

Note:

1. The closing prices of the shares of the Company on 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, being the dates on which the Share Options were granted, were HK$3.41, HK$1.24, HK$0.91 and HK$1.45 per share, respectively.

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

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

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2015 and as at the date of this annual report.

EVENTS AFTER THE REPORTING DATE

(a) On 19 January 2016, the extraordinary general meeting of the Company approved the Company or its wholly-owned subsidiary to acquire the entire equity interests of four wholly-owned subsidiaries of Conch Cement for a consideration of HK$4,593,882,600 (equivalent to approximately RMB3,622,736,000), to be satisfied by the Company issuing new shares ("Consideration Shares") to Conch Cement (whose shareholding in the Company upon completion is expected to increase from the existing 21.17% to 51.57%, depending on the number of outstanding share options having been exercised and assuming no other shares or share options of the Company are issued or repurchased before completion other than the Consideration Shares). The transaction has not been completed as of the date of this annual report.

(b) On 4 March 2016, the Group's wholly-owned subsidiary established in the PRC, 堯柏特種水泥集團有限公司 (Yaobai Special Cement Group Co. Ltd.*) ("Shaanxi Yaobai") has obtained facility to issue on its demand one-year short-term notes with an aggregate principal amount of RMB1,200 million ("Short-term Notes") for the purpose of, among others, repayment of part of the bank loans and for general working capital of the Group. Shaanxi Yaobai proposes to issue the first tranche of the Short-term Notes with a principal amount of RMB 800,000,000 to investors in the national inter-bank market in the PRC on or about 15 March 2016. The first tranche of the Short-term Notes has not been issued as at the date of this annual report. Please refer to the announcement of the Company dated 10 March 2016 for further information relating to the Short-term Notes.

AUDITORS

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

On behalf of the Board of Directors
Zhang Jimin
Chairman

14 March 2016

Independent Auditors' Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 117, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. 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.

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 of the Company, 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.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

14 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**3,500,931**	3,883,385
Cost of sales		**(3,037,447)**	(3,285,332)
Gross profit		**463,484**	598,053
Other income	8	**109,352**	148,156
Selling and marketing expenses		**(42,953)**	(35,826)
Administrative expenses		**(270,629)**	(258,243)
Other gains and losses, net	9	**(297,560)**	(94,911)
Interest income	10	**18,277**	4,925
Finance costs	11	**(236,508)**	(227,118)
(Loss) Profit before tax	12	**(256,537)**	135,036
Income tax expense	13	**(50,820)**	(95,546)
(Loss) Profit and total comprehensive (expense) income for the year		**(307,357)**	39,490
Attributable to:			
— Owners of the Company		**(309,205)**	35,902
— Non-controlling interests		**1,848**	3,588
		(307,357)	39,490
(Loss)/Earnings per share			
— Basic (RMB)	15	**(0.062)**	0.008
— Diluted (RMB)	15	**(0.062)**	0.008

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	8,256,747	8,071,487
Prepaid lease payments	19	498,429	452,929
Mining rights	20	281,842	162,956
Other intangible assets	21	195,315	168,102
Deferred tax assets	23	54,405	16,118
Amount due from non-controlling shareholder of a subsidiary	25	53,260	39,457
		9,339,998	8,911,049
Current assets			
Inventories	24	575,656	548,318
Trade and other receivables and prepayments	25	685,493	600,921
Restricted bank deposits	26	73,397	212,119
Bank balance and cash	26	454,823	495,605
Short-term investments	27	253,128	–
		2,042,497	1,856,963
Total assets		11,382,495	10,768,012
EQUITY			
Share capital	28	141,519	124,098
Share premium and reserves	29	5,714,901	4,846,769
Equity attributable to owners of the Company		5,856,420	4,970,867
Non-controlling interests		47,480	45,632
Total equity		5,903,900	5,016,499

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	30	3,000	83,000
Senior notes	31	2,563,482	2,408,288
Medium-term notes	32	–	796,548
Asset retirement obligation	33	20,961	14,761
Deferred tax liabilities	23	54,731	20,500
Deferred income	34	66,389	66,633
		2,708,563	3,389,730
Current liabilities			
Borrowings	30	538,400	745,173
Trade and other payables	35	1,410,505	1,597,581
Income tax payable		22,067	19,029
Medium-term notes	32	799,060	–
		2,770,032	2,361,783
Total liabilities		5,478,595	5,751,513
Total equity and liabilities		11,382,495	10,768,012
Net current liabilities		(727,535)	(504,820)
Total assets less current liabilities		8,612,463	8,406,229

The consolidated financial statements on pages 53 to 117 were approved and authorised for issue by the Board of Directors on 14 March 2016 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Ma Weiping
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 *(Note 29)*	Share option reserve RMB'000	Statutory reserve RMB'000 *(Note 29)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	124,715	2,136,463	(305,868)	13,620	437,143	2,638,091	5,044,164	41,094	5,085,258
Profit and total comprehensive income for the year	–	–	–	–	–	35,902	35,902	3,588	39,490
Transfer to statutory reserve	–	–	–	–	33,538	(33,538)	–	–	–
Capital contribution from non-controlling shareholders of a subsidiary incorporated during the year	–	–	–	–	–	–	–	950	950
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	3,957	–	–	3,957	–	3,957
Share repurchased and cancelled	(617)	(21,595)	–	–	–	–	(22,212)	–	(22,212)
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(90,944)	(90,944)	–	(90,944)
At 31 December 2014	124,098	2,114,868	(305,868)	17,577	470,681	2,549,511	4,970,867	45,632	5,016,499
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	(309,205)	(309,205)	1,848	(307,357)
Transfer to statutory reserve	–	–	–	–	20,637	(20,637)	–	–	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	12,265	–	–	12,265	–	12,265
Issue of new shares *(Note 28)*	17,421	1,186,692	–	–	–	–	1,204,113	–	1,204,113
Transaction costs attributable to issue of new ordinary shares *(Note 28)*	–	(12,585)	–	–	–	–	(12,585)	–	(12,585)
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(9,035)	(9,035)	–	(9,035)
At 31 December 2015	141,519	3,288,975	(305,868)	29,842	491,318	2,210,634	5,856,420	47,480	5,903,900

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(256,537)**	135,036
Adjustments for:			
Finance costs		**236,508**	227,118
Interest income		**(18,277)**	(4,925)
Unrealised exchange losses		**145,149**	8,207
Depreciation of property, plant and equipment		**673,041**	602,032
Impairment loss on property, plant and equipment		**7,481**	3,923
Loss (gain) on disposal of/written off the property, plant and equipment		**126,261**	(495)
Gain on disposal of mining right		**(2,524)**	–
Amortisation of prepaid lease payments		**13,623**	12,579
Amortisation of mining rights		**13,783**	9,446
Amortisation of other intangible assets		**2,400**	2,344
Allowance (reversal for allowance) for doubtful debts, net		**1,456**	(2,146)
Government grants released to profit or loss		**(8,164)**	(6,981)
Share option expenses		**12,265**	3,957
Early redemption premium of senior notes		**–**	92,192
Operating cash flows before movements in working capital		**946,465**	1,082,287
Increase in inventories		**(2,435)**	(17,453)
Increase (decrease) in trade and other receivables and prepayments		**(11,006)**	78,446
(Decrease) increase in trade and other payables		**(377,503)**	118,052
Cash generated from operations		**555,521**	1,261,332
Income tax paid		**(81,451)**	(94,673)
Net cash from operating activities		**474,070**	1,166,659

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Interest received		15,149	4,925
Payments of short-term investments		(250,000)	–
Purchase of property, plant and equipment		(350,135)	(583,134)
Addition of prepaid lease payments		(604)	(18,176)
Acquisition of mining rights		(1,807)	(15,630)
Advance to non-controlling shareholder of a subsidiary		(13,803)	(10,152)
Purchase of other intangible assets		–	(753)
Proceeds from disposal of property, plant and equipment		13,753	14,825
Proceeds from disposal of mining right		3,308	–
Government grants received for acquisition of property, plant and equipment		7,920	18,600
Repayment from previous shareholder of a subsidiary		15,063	20,000
Payment for acquisition of subsidiaries in prior period		(5,000)	(14,600)
Deposit received		45,000	–
Acquisition of a subsidiary, net of cash acquired	36	(389,302)	(14,805)
Withdrawal of restricted bank deposits		300,397	323,202
Placement of restricted bank deposits		(161,675)	(418,802)
Net cash used in investing activities		(771,736)	(694,500)
FINANCING ACTIVITIES			
New borrowings raised		484,600	1,020,138
Repayment of borrowings		(771,373)	(907,388)
Net proceeds from issuances of senior notes		–	2,417,836
Repayment of senior notes including early redemption premium		–	(2,550,992)
Repayment to previous shareholder of a subsidiary		(378,159)	–
Dividends paid		(9,035)	(90,944)
Share repurchased		–	(22,212)
Proceeds from issue of shares		1,204,113	–
Expenses on issue of shares		(12,585)	–
Capital contributions from non-controlling shareholders of a subsidiary		–	950
Interest paid		(262,676)	(350,645)
Net cash from (used in) financing activities		254,885	(483,257)
Net decrease in cash and cash equivalents		(42,781)	(11,098)
Cash and cash equivalents at 1 January		495,605	506,586
Effect of foreign exchange rate changes		1,999	117
Cash and cash equivalents at 31 December, represented by bank balances and cash		454,823	495,605

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the production and sale of cement in western China, the People's Republic of China (the "PRC").

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015, the Group has net current liabilities of RMB727,535,000. The Group has unutilised loan facilities for working capital purposes totalling RMB222,100,000 readily available for drawdown within the next twelve months from the date of the approval of these consolidated financial statements. In addition, the Group's wholly-owned subsidiary established in the PRC, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai") has obtained facility to issue on its demand an one-year short-term note of RMB1,200 million by March 2016 for the purpose of, among others, repayment of part of the bank loans and to supplement general working capital across the Group. Based on the Company's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of borrowing facilities, the directors of Company are of the view that the Group is able to operate within the level of its current capacity.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

3.1 Amendments to standards that are mandatory effective for the current year

In the current year, the Group has applied for the first time the following amendments to standards.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010–2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011–2013 Cycle*

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

3.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new standards and amendments to standards ("new and revised IFRSs") that have been issued but are not yet effective.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[3]
Amendments to IAS 1	*Disclosure Initiative*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012–2014 Cycle*[3]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[3]
Amendments to IAS 7	*Disclosure Initiative*[5]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017.

Except as disclosed below, the directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on amounts reported in the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

3.2 New and revised IFRSs in issue but not yet effective *(Cont'd)*

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

One of the key requirements of IFRS 9 that are applicable to the Group includes the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments, Recognition and Management*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

IFRS 15 *Revenue from Contracts with Customers*

In 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

3.2 New and revised IFRSs in issue but not yet effective *(Cont'd)*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

Amendments to IAS 16 and IAS *38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets (other than mining assets and mining rights) respectively. The Group uses unit of production method for depreciation and amortisation for its mining assets and mining rights respectively. Goodwill is not amortised but reviewed for impairment on annual basis. The directors of the Company are in the process of reviewing the effect of the application of the amendments to IAS 16 and IAS 38 on the amounts reported and disclosures made in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

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

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

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit ("CGU"), the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold in the normal course of business, net of discount and sales related tax.

Revenue from the sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Prepaid lease payments
When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Mining assets include primarily the following:

(a) Stripping costs

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

(b) Asset retirement obligation

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Mining rights

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

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

Interest income or interest expense is recognised on an effective interest basis.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, short-term investments, bank balances and cash, as well as restricted bank deposits) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of loans and receivables *(Cont'd)*

For certain categories of loans and receivables, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 60 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is 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.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced by the impairment through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or repurchase of the Company's own equity instruments.

Financial liabilities

Financial liabilities including borrowings, trade and other payables, senior notes and medium-term notes are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Provisions

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

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

Equity-settled share-based payment transactions

The share options granted to employees are measured at the fair value of the share options at the grant date. The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

Impairment losses on tangible and intangible assets (excluding goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment losses on tangible and intangible assets (excluding goodwill) *(Cont'd)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

5. FINANCIAL INSTRUMENTS

a. Capital risk management

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

The capital structure of the Group consists of net debts (borrowings, senior notes and medium-term notes as detailed in Notes 30, 31 and 32, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as detailed in Notes 28 and 29, and retained earnings).

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

b. Categories of financial instruments

	2015 **RMB'000**	2014 RMB'000
Financial assets		
— Loans and receivables (including cash and cash equivalents)	**1,258,890**	1,068,324
Financial liabilities		
— Amortised cost	**5,108,903**	5,534,088

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, short-term investments, borrowings, senior notes and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

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For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks

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

(i) Foreign currency risk

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

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

	Liabilities		Assets	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States Dollar ("US$")				
— Bank balances and cash	**–**	–	**4,408**	50,601
— Senior notes	**2,614,060**	2,456,016	**–**	–
— Borrowings	**–**	178,373	**–**	–
Other foreign currency (including Hong Kong Dollar, Great Britain Pound and Singapore Dollar)				
— Bank balances and cash	**–**	–	**4,370**	3,108

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

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against US$, there will be an increase in loss for the year of RMB 130,483,000 (2014: a decrease in profit for the year of RMB127,812,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against US$.

5. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks *(Cont'd)*

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate borrowings, senior notes and medium-term notes (as detailed in Note 30, Note 31 and Note 32). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (as detailed in Note 30). The Group's variable-rate borrowings are mainly affected by movements in Interbank Borrowing Rates and the interest rates quoted by People's Bank of China. It is also affected by the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's US$ denominated borrowings. The Group does not have formal policies on managing interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The directors of Company are of the opinion that the Group's exposure to cash flow interest rate risk in relation to variable-rate bank deposits is considered insignificant, and no sensitivity analysis is presented.

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

If interest rate had been 50 basis points higher/lower based on and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would be decreased/increased by approximately RMB 300,000 (2014: profit for the year decreased/increased by approximately RMB320,000). Without considering the effect of capitalisation of borrowing costs, which is not significant.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, short-term investments, bank balances and cash, restricted bank deposits. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also reviews the recoverable amount of each individual debt regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and independent third parties from whom the balances are receivable.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk on short-term investments which represent investments in wealth management products operated by one bank, which mainly invested in debt securities. The Group would closely monitor the investments.

5. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. As in Note 2, the Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the management regularly monitors the operating cash flow of the Group to meet its liquidity requirements in short and long term. The management also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2015						
Trade and other payables	–	1,204,961	–	–	1,204,961	1,204,961
Borrowings (principal and interest)						
— variable rates	7.38	82,766	–	–	82,766	80,000
— fixed rates	5.10	469,507	–	–	469,507	458,400
— non-interest bearing	–	–	1,000	2,000	3,000	3,000
Senior notes	6.50	168,834	337,667	2,766,274	3,272,775	2,563,482
Medium-term notes	6.10	848,800	–	–	848,800	799,060
		2,744,868	338,667	2,768,274	5,881,809	5,108,903

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2014						
Trade and other payables	–	1,501,079	–	–	1,501,079	1,501,079
Borrowings (principal and interest)						
— variable rates	7.38	85,710	88,670	–	174,380	160,000
— fixed rates	4.88	678,595	–	–	678,595	662,173
— non-interest bearing	–	3,000	–	3,000	6,000	6,000
Senior notes	6.50	159,094	159,094	2,924,882	3,243,070	2,408,288
Medium-term notes	6.10	48,800	848,800	–	897,600	796,548
		2,476,278	1,096,564	2,927,882	6,500,724	5,534,088

5. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Liquidity risk *(Cont'd)*

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

d. Fair values of financial instruments

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values other than senior notes and medium-term notes, which set out in Note 31 and Note 32. The fair value of senior notes is included in the Level 1 category, which has been derived from the quoted prices (unadjusted) in active markets, while the fair value of medium-term notes is included in the Level 2 category, which are derived from the observable over-the-counter trading market without any significant adjustments made to the observable data.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment on trade and other receivables

The Group makes allowance for and write-off of bad and doubtful debts based on an assessment of the recoverability of the receivables. Receivables may be impaired where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the receivables and doubtful debts expenses in the year in which such estimate has been changed. As at 31 December 2015, the aggregate carrying amount of trade and other receivables is approximately RMB368,086,000 (2014: RMB316,137,000). Details of movements of allowance for doubtful debts are disclosed in Note 25.

Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed. As at 31 December 2015, the carrying amount of inventories is approximately RMB575,656,000 (2014: RMB548,318,000). There was no write-down of inventories in 2015 and 2014.

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

Impairments

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years approved by the management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The value in use calculation requires the Group to estimate the future cash flows expected to come from the assets and a suitable discount rate in order to calculate the present value.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The carrying amounts of goodwill is as disclosed in Note 22.

Impairment of non-financial assets

During the year ended 31 December 2014, the overall decline in construction and development activities in Xinjiang Uygur Autonomous Region ("Xinjiang") in which one of the Group's subsidiary, Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai") operates as well as the on-going economic uncertainty have led to a decreased demand in those business locations. As the result, the management carried out a review of the recoverable amount of the plants and the related equipment in Xinjiang and recognised an impairment loss of RMB3,923,000 in 2014. During the year ended 31 December 2015, due to the on-going economic uncertainty that have let to decreased sales price in Xinjiang, the management performed the impairment review by considering various factors, including the existing market demand for and selling prices of cement products in Xinjiang particularly in the area Hetian Yaobai is operating. As the result, the management recognised an impairment loss for Hetian Yaobai's property, plant and equipment of RMB7,481,000 in 2015.

The key assumptions used to determine the recoverable amount are disclosed and further explained in Note 18. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected cash-inflows and growth rate used for extrapolation purposes. Where the actual cash flows are significantly less than expected, or changes in circumstances which result in downward revision of recoverable amount of the assets, further impairment loss may arise.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors of the Company will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2015, the carrying amount of property, plant and equipment was RMB8,256,747,000 (31 December 2014: RMB8,071,487,000).

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

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the year in which such determination is made.

As at 31 December 2015, deferred tax asset of RMB54,405,000 (2014: RMB16,118,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Operating licences

The Group's licences to operate at each of mines expire at various dates from December 2016 to December 2022. The directors of the Company believe that the Group will be able to renew these licences at their option and at minimal cost, provided the Group complies with the terms of the licence. The carrying amount of the mining assets included in property, plant and equipment of approximately RMB677,817,000 (2014: RMB641,614,000), and mining rights of approximately RMB281,842,000 (2014: RMB162,956,000) and the Group's operating results would be adversely affected if any licences could not be renewed.

Asset retirement obligation

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, the Group is presently not involved in any environmental remediation and has not incurred any amounts for environmental remediation relating to its operations. The environmental provision is based on the directors' best estimate of future expenditure (Note 33). Under existing legislation, the directors of the Company believe that there are no further probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards, which could require increased expenditure in the future.

7. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's Chief Executive Officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by three areas, namely eastern and southern Shaanxi and Xinjiang. However, no further operating results by these areas are being provided, but the CODM reviews the consolidated results of the Group as a whole. Accordingly, no further segment information of operating segment has been disclosed in the consolidated financial statements for both years.

All of the Group's revenue for the years ended 31 December 2015 and 2014 are derived from the sale of cements products to customers in the western part of PRC. No single customer contributed 10% or more to the Group's revenue for both 2015 and 2014. All of the Group's non-current assets are located in the PRC by locations of assets.

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8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Tax refund *(note)*	**93,494**	129,525
Government grant — others	**13,119**	16,899
Others	**2,739**	1,732
	109,352	148,156

Note: The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

9. OTHER GAINS AND LOSSES, NET

	2015 RMB'000	2014 RMB'000
Net foreign exchange losses *(note (a))*	**(157,089)**	(5,347)
Loss on redemption of senior notes *(note (b))*	**–**	(92,192)
(Loss) gain on disposal of/written off the property, plant and equipment	**(126,261)**	495
Gain on disposal of mining right	**2,524**	–
Allowance for doubtful debts	**(2,405)**	(3,363)
Reversal of allowance for doubtful debts	**949**	5,509
Impairment loss on property, plant and equipment	**(7,481)**	(3,923)
Others	**(7,797)**	3,910
	(297,560)	(94,911)

Notes:

(a) The amounts mainly relate to the translation of the senior notes and bank borrowings from US$ to RMB for each of the years ended 31 December 2015 and 2014.

(b) During the year ended 31 December 2014, the Company exercised its early redemption option to early redeem the entire outstanding senior notes originally due in 2016 in full at redemption price equal 100% of the principal amount outstanding of US$400 million (equivalent to approximately RMB2,459 million), plus the applicable redemption premium of US$15 million (equivalent to RMB92,192,000), resulting in a loss on redemption of RMB92,192,000 being recognised in the profit or loss.

10. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits and short-term investments.

11. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans	**41,089**	43,038
Interest on senior notes	**173,125**	227,965
Interest on medium-term notes	**51,312**	51,159
Total borrowing costs on financial liabilities that are not at fair value through profit or loss	**265,526**	322,162
Less: amount capitalised	**(30,052)**	(95,859)
	235,474	226,303
Unwinding of discount *(Note 33)*	**1,034**	815
	236,508	227,118

The weighted average capitalisation rate on funds borrowed generally is 6.55% (2014: 7.55%) per annum.

12. LOSS (PROFIT) BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**673,041**	602,032
Amortisation of prepaid lease payments	**13,623**	12,579
Amortisation of mining rights	**13,783**	9,446
Amortisation of other intangible assets	**2,400**	2,344
Total depreciation and amortisation	**702,847**	626,401
Auditors' remuneration	**2,490**	2,790
Staff costs (include directors' emoluments)		
Wages and salaries	**261,959**	258,262
Share option expenses	**12,265**	3,957
Defined contribution retirement plan expenses	**25,320**	18,761
Total staff cost	**299,544**	280,980
Cost of inventories recognised as expenses	**2,961,007**	3,257,202

13. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax		
Current period	77,514	91,832
Under provision in prior years	6,975	–
	84,489	91,832
Deferred tax *(Note 23)*		
Current year	(28,671)	4,486
Attributable to change in tax rate	(4,998)	(772)
	(33,669)	3,714
Income tax expense	(50,820)	95,546

Pursuant to the rules and regulations of Jersey and the British Virgin Islands, the Company and the subsidiary of the Company, West China Cement Co. Ltd. ("West China BVI") are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for each of the year ended 31 December 2015 and 2014 based on existing legislations, interpretations and practices.

Under the PRC Enterprise Income Tax ("EIT") Law, the enterprise income tax rate applicable to the Group's subsidiaries located in Mainland China is 25% except for the subsidiaries entitled to preferential tax treatment as detailed in note (a) below.

Income tax expenses for the year can be reconciled to the loss (profit) before tax as follows:

	2015 RMB'000	2014 RMB'000
(Loss) profit before tax	(256,537)	135,036
Tax at domestic income tax rate of 25% (2014: 25%)	(64,134)	33,759
Tax effects of:		
Expenses not deductible for tax purpose	93,081	68,648
Tax exemption and reduced tax rate *(note (a))*	(19,732)	(27,897)
Tax credit *(note (b))*	–	(3,224)
Change in tax rate for deferred tax assets recognised	(4,998)	(772)
Tax effect on interest income on intra-group loans *(note (c))*	5,007	12,519
Tax effect on tax losses/deductible temporary difference not recognised as deferred tax assets	38,501	12,513
Utilisation of tax losses previously not recognised as deferred tax assets	(3,880)	–
Under provision in prior year	6,975	–
Tax expense for the year	50,820	95,546

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

Notes:

(a) Prior to 1 October 2014, certain subsidiaries of the Group namely Shaanxi Yaobai, Xi'an Lantian Yaobai Cement Co., Ltd. ("Lantian Yaobai"), Ankang Yaobai Cement Co., Ltd. ("Ankang Yaobai"), Hanzhong Yaobai Cement Co., Ltd. ("Hanzhong Yaobai"), Shifeng Cement Co., Ltd. ("Shifeng Cement"), Fuping Cement Co., Ltd. ("Fuping Cement"), Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. ("Hancheng Yaobai Yangshanzhuang"), and Longqiao Yaobai Cement Co., Ltd. ("Longqiao Yaobai") met the requirements of the notice related to Western Development Policy which entitled them to the preferential EIT rate of 15%. On 10 March 2015, the State Administration of Taxation issued a notice resulting those subsidiaries ceased to enjoy the preferential EIT rate of 15% commencing from 1 October 2014. The EIT rate applicable to these subsidiaries during the year ended 31 December 2015 is 25%.

The Group's subsidiary, Hetian Yaobai was established in Xinjiang. Pursuant to the relevant laws and regulations of Xinjiang, Hetian Yaobai is entitled to a two-year tax holiday from its first profit-making year, that is 2013 and a further three-year 50% tax reduction pursuant to PRC enterprise income tax law. The applicable tax rate for the year ended 31 December 2015 is 12.5%.

(b) Tax credit represents credit on enterprise income tax for purchase of domestically produced equipment or environment protection related equipment pursuant to the applicable PRC tax laws and regulations.

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

14. DIVIDEND

	2015 **RMB'000**	2014 RMB'000
Dividends recognised as distribution during the year:		
2014 final of RMB0.20 cents		
(2014: 2013 final dividend of RMB2.00 cents) per share	**9,035**	90,944

Subsequent to the end of the reporting period, no dividend has been proposed in respect of the year ended 31 December 2015 (2014: a final dividend of RMB0.2 cents per share in respect of the year ended 31 December 2014 in total of approximately RMB9,035,000).

No interim dividend has been proposed in 2015 and 2014.

15. (LOSS) EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(309,205)**	35,902

Number of shares	2015 '000	2014 '000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**4,982,688**	4,528,466

The calculation of diluted earnings per share did not take into account the share options of the Company for the years ended 31 December 2014 (Note 38) because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of the Company's share during that year.

The calculation of diluted loss per share for the year ended 31 December 2015 did not take into account the share options of the Company as it would result in a decrease in loss per share.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

2015	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,200	–	1,284	2,484
Ma Weiping *(note c)*	–	1,415	31	1,396	2,842
Wang Jianli *(note e)*	–	815	31	775	1,621
Tian Zhenjun *(note a)*	–	42	–	58	100
Low Po Ling *(note b)*	–	–	–	–	–
Non-executive directors					
Ma Weiping *(note c)*	100	–	–	–	100
Ma Zhaoyang	323	–	–	281	604
Frank Wu *(note d)*	162	–	–	–	162
Liu Yan *(note f)*	162	–	–	–	162
Qin Hongji *(note f)*	162	–	–	–	162
Independent non-executive directors					
Lee Kong Wai Conway	323	–	–	281	604
Wong Kun Kau	323	–	–	281	604
Tam King Ching Kenny	323	–	–	281	604
	1,878	3,472	62	4,637	10,049

Notes:

(a) Mr. Tian Zhenjun resigned as Chief Executive and executive director of the Company with effect from 2 February 2015.

(b) Ms. Low Po Ling resigned as executive director on 2 February 2015 and waived her emoluments from 1 January 2015 to the date of resignation.

(c) Dr. Ma Weiping was redesignated as Chief Executive and executive director of the Company from 5 February 2015. His emoluments disclosed above include those for services rendered by him as the Chief Executive.

(d) Mr. Frank Wu was appointed as non-executive director of the Company with effect from 15 April 2015 and resigned as a non-executive director with effect from 22 September 2015. His emoluments above represents those paid for his services up to the date of resignation.

(e) Mr. Wang Jianli resigned as executive director of the Company with effect from 1 July 2015. His emoluments above represents those paid for his services up to the date of resignation.

(f) Ms. Liu Yan and Mr. Qin Hongji were appointed as non-executive director of the Company with effect from 1 July 2015.

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

2014	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,200	–	1,057	2,257
Low Po Ling	–	1,105	10	–	1,115
Wang Jianli	–	816	29	841	1,686
Tian Zhenjun	–	1,006	–	1,189	2,195
Non-executive directors					
Ma Zhaoyang	319	–	–	244	563
Ma Weiping	319	–	–	221	540
Independent non-executive directors					
Lee Kong Wai Conway	319	–	–	244	563
Wong Kun Kau	319	–	–	244	563
Tam King Ching Kenny	319	–	–	244	563
	1,595	4,127	39	4,284	10,045

Note:

During the year ended 31 December 2014, as the result of the non-fulfilment of performance condition attached to the share option scheme (Note 38), the share-based payment expenses charged to profit or loss in the prior periods was reversed against profit or loss in that year. For the purpose of this presentation, such reversal of RMB3,628,000 was not reflected under the total emoluments paid or payable to directors above.

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

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

Except for Ms. Low Po Ling as described above, neither the chief executive nor any of the directors waived any emoluments in both periods.

17. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: three) were directors whose emoluments are included in the disclosures in Note 16 above. The emoluments of the remaining three individuals (2014: two individuals) were as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	2,747	1,867
Defined contribution plans	52	12
Share options expenses	2,294	1,433
	5,093	3,312

The above employees' emoluments were within the following bands:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$2,500,000	1	1

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	Machinery RMB'000	Mining assets RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	3,182,127	59,421	196,310	4,316,921	760,301	1,285,519	9,800,599
Additions	9,499	6,941	11,683	41,883	6,373	609,273	685,652
Transfers	231,705	–	50,238	194,691	55,871	(532,505)	–
Acquisition of a subsidiary *(Note 36)*	258	–	29	1,686	351	–	2,324
Disposals	–	(18,208)	(482)	(8,532)	–	–	(27,222)
At 31 December 2014	3,423,589	48,154	257,778	4,546,649	822,896	1,362,287	10,461,353
Additions	7,857	5,145	1,264	62,659	30,960	161,776	269,661
Acquisition of a subsidiary (Note 36)	118,185	68	3,187	615,402	53,250	37,015	827,107
Transfers	576,564	–	21,345	644,034	–	(1,332,915)	(90,972)
Disposals/written off	(1,236)	(16,588)	(1,041)	(15,794)	(846)	(124,406)	(159,911)
At 31 December 2015	**4,124,959**	**36,779**	**282,533**	**5,852,950**	**906,260**	**103,757**	**11,307,238**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	488,883	22,178	75,255	1,073,533	136,954	–	1,796,803
Depreciation charge	147,646	8,394	44,350	357,314	44,328	–	602,032
Impairment	2,179	–	–	1,744	–	–	3,923
Disposals	–	(11,742)	(308)	(842)	–	–	(12,892)
At 31 December 2014	638,708	18,830	119,297	1,431,749	181,282	–	2,389,866
Depreciation charge	170,103	5,003	57,054	393,720	47,161	–	673,041
Disposals	(349)	(7,630)	(966)	(10,952)	–	–	(19,897)
Impairment	4,094	–	–	3,387	–	–	7,481
At 31 December 2015	**812,556**	**16,203**	**175,385**	**1,817,904**	**228,443**	**–**	**3,050,491**
CARRYING VALUES							
At 31 December 2015	**3,312,403**	**20,576**	**107,148**	**4,035,046**	**677,817**	**103,757**	**8,256,747**
At 31 December 2014	2,784,881	29,324	138,481	3,114,900	641,614	1,362,287	8,071,487

Details of property, plant and equipment pledged are set out in Note 41.

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

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

Category of property, plant and equipment	Rate
Buildings	5%
Motor vehicles	12%
Electronic and other equipment	19%
Machinery	8%

In view that the actual production of cement by Hetian Yaobai has been below its designed production capacity since its operation beginning April 2013, which is considered as an impairment indicator, the directors of the Company performed impairment assessment on Hetian Yaobai as a CGU, which is engaged in the production and sale of cement products in Xinjiang. The recoverable amount is determined using value in use, based on discounted cash flow model covering seventeen-year period. The compound annual growth rate ("CAGR") of the sales volume is 15% from 2016 to 2020 (2014: 22% from 2015 to 2019) and the pre-tax discount rate applied to cash flow projection is 11% (2014: 12%). Cash flows beyond the five-year approved management's financial budgets are prepared based on zero growth rate.

As the result of the impairment assessment, the directors of the Company recognised an impairment loss of RMB7,481,000 in 2015 (2014: RMB3,923,000) against the non-current assets of RMB579,451,000 as at 31 December 2015 (2014: RMB618,994,000). The impairment charge is recorded within "other gains and losses, net" in profit or loss. The recoverable amount of the relevant assets determined on the basis of their value in use amounted to RMB571,970,000 (2014: RMB615,071,000) as at 31 December 2015.

The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected cash-inflows and growth rate used for extrapolation purposes.

Discount rates represent the current market assessment of the risks specific to the industry, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The Group takes into account its weighted average cost of capital ("WACC") as a starting point in estimating the discount rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors used are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate would result in a further impairment.

Growth rate estimates for Hetian Yaobai, after its second operating year since 2013, are based on management's best estimate of local industry demand for the first five years and followed by the long-term average growth rate, with the expectation that the Group's local market share to be stable over the forecast period. Management recognises that the timing and volume of such local industry demand can have a significant impact on growth rate assumptions and any adverse changes would result in a further impairment.

In addition, in line with the latest local government effort to balance market supply and demand, the directors of the Company decided in December 2015 to suspend indefinitely and dismantle the non-current assets, mainly the construction in progress in the Group's subsidiary, Weinan Yaobai Cement Co., Ltd.. The carrying amount of the construction in progress were written off in full and a loss of RMB124,406,000 was recognised in "other gains and losses, net" in profit or loss.

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19. PREPAID LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Current asset *(Note 25)*	**13,982**	12,549
Non-current asset	**498,429**	452,929
	512,411	465,478

The Group is in the process of applying for the title certificates for certain of its land use rights with an aggregate carrying value of RMB41,984,000 (2014: RMB40,762,000) at 31 December 2015. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

Details of prepaid lease payments pledged are set out in Note 41.

20. MINING RIGHTS

	RMB'000
COST	
Balance at 1 January 2014	164,048
Addition	15,630
Acquisition of a subsidiary *(Note 36)*	23,656
Balance at 31 December 2014	203,334
Addition	72,631
Acquisition of a subsidiary *(Note 36)*	60,822
Disposal	(1,045)
Balance at 31 December 2015	335,742
AMORTISATION	
Balance at 1 January 2014	30,932
Charge for the year	9,446
Balance at 31 December 2014	40,378
Charge for the year	13,783
Disposal	(261)
Balance at 31 December 2015	53,900
CARRYING AMOUNT	
As at 31 December 2015	281,842
As at 31 December 2014	162,956

Mining rights are granted from the respective local Land and Resource Bureaus.

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21. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost				
At 1 January 2014	157,537	20,610	987	179,134
Addition	–	–	753	753
At 31 December 2014	157,537	20,610	1,740	179,887
Acquisition of a subsidiary *(Note 36)*	29,613	–	–	29,613
At 31 December 2015	187,150	20,610	1,740	209,500
Accumulated amortisation				
At 1 January 2014	–	8,919	522	9,441
Charge for the year	–	2,015	329	2,344
At 31 December 2014	–	10,934	851	11,785
Charge for the year	–	2,016	384	2,400
At 31 December 2015	–	12,950	1,235	14,185
Carrying amount				
At 31 December 2015	187,150	7,660	505	195,315
At 31 December 2014	157,537	9,676	889	168,102

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

Customer relationships	10 years
Computer software	5 years

The customer relationships amounting to RMB20,610,000 arose from the acquisition of a subsidiary, Shangluo Yaobai Xiushan Cement Co., Ltd. ("Xiushan Yaobai") in December 2009. They are amortised over a period of 10 years.

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. For the purposes of impairment testing, goodwill set out in Note 21 have been allocated to five individual CGUs. The carrying amounts of goodwill allocated to these units are as follows:

	2015 RMB'000	2014 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — Fuping	7,258	7,258
Cement plant — Yaowangshan *(Note 36)*	29,613	–
	187,150	157,537

During the year, the directors of the Company determine that there is no impairment in any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The growth rate of 3% to 6% (2014: 3% to 6%), and discount rate of 11.0% (2014: 11.0%) were applied. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. As the result of the analysis, management did not identify an impairment for the above CGUs to which the goodwill are allocated.

23. DEFERRED TAX

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	54,405	16,118
Deferred tax liabilities	(54,731)	(20,500)
	(326)	(4,382)

23. DEFERRED TAX *(Cont'd)*

The movement in deferred tax assets and liabilities during the year is as follows:

	Allowance for doubtful debts and accruals RMB'000	Deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Total RMB'000
At 1 January 2014	7,249	8,562	15,537	(27,336)	4,012
Credited (charged) to profit or loss	1,172	676	(7,427)	1,093	(4,486)
Acquisition of a subsidiary *(Note 36)*	–	–	–	(4,680)	(4,680)
Effect of change in tax rate	84	688	–	–	772
At 31 December 2014	8,505	9,926	8,110	(30,923)	(4,382)
Credited (charged) to profit or loss	1,404	(506)	24,937	2,836	28,671
Acquisition of a subsidiary *(Note 36)*	–	–	9,731	(39,344)	(29,613)
Effect of change in tax rate	3,899	5,128	5,406	(9,435)	4,998
At 31 December 2015	**13,808**	**14,548**	**48,184**	**(76,866)**	**(326)**

At the end of the reporting period, the Group has unused tax losses of RMB249,384,000 (2014: RMB104,116,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB192,736,000 (2014: RMB54,065,000) of such losses.

No deferred tax have been recognised in respect of the tax losses of RMB56,648,000 (31 December 2014: RMB50,051,000) and other deductible temporary differences mainly relates to the impairment loss and written off of property, plant and equipment of RMB131,887,000 (31 December 2014: Nil) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2015 RMB'000	2014 RMB'000
2019	**34,531**	50,051
2020	**22,117**	–
	56,648	50,051

Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2015 and 2014 in respect of the undistributed profits of relevant PRC subsidiaries, as the directors of the Company confirmed that the balance of retained earnings as at 31 December 2015 in the relevant PRC subsidiaries generated after 2008 will not be distributed to its foreign investor in the foreseeable future.

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB2,611,465,000 (2014: RMB2,617,782,000).

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24. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials and consumables	**308,765**	336,311
Work in progress	**169,044**	126,200
Finished goods	**97,847**	85,807
	575,656	548,318

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Trade receivables	**346,022**	271,421
Less: Allowance for doubtful debts	**(6,675)**	(5,922)
	339,347	265,499
Other receivables	**31,268**	29,480
Less: Allowance for doubtful debts	**(2,529)**	(1,826)
	28,739	27,654
Bills receivable	**109,456**	83,920
VAT recoverable	**118,865**	131,860
VAT refund receivable	**10,926**	9,467
Amount due from previous shareholders of subsidiaries	**–**	22,984
Amount due from non-controlling shareholder of a subsidiary *(note)*	**53,260**	39,457
Prepayments to suppliers	**64,178**	46,988
Prepaid lease payments *(Note 19)*	**13,982**	12,549
	738,753	640,378
Less: Non-current portion *(note)*	**(53,260)**	(39,457)
	685,493	600,921

Details of trade receivables pledged are set out in Note 41.

Note:

The amount due from non-controlling shareholder of a subsidiary represents advances for procuring the acquisition of various mining rights which are being arranged through the non-controlling shareholder according to the arrangement procedures of the local authority. As the balance is related to the acquisition of mining rights, it is classified as non-current as at the end of the reporting period.

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2015 RMB'000	2014 RMB'000
0 to 90 days	190,117	192,032
91 to 180 days	86,628	61,827
181 to 360 days	35,631	3,663
361 to 720 days	24,691	7,256
Over 720 days	2,280	721
	339,347	265,499

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

RMB153,670,000 (2014: RMB155,966,000) of the trade receivables that are neither past due nor impaired have high credit ranking attributable under the credit scoring system used by the Group. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB170,901,000 (2014: RMB109,533,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2015 RMB'000	2014 RMB'000
0 to 90 days	36,648	36,066
91 to 180 days	86,628	61,827
Over 180 days	47,625	11,640
	170,901	109,533

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

Allowance for doubtful debts has been made for estimated irrecoverable amounts of trade and other receivables. The movement in the allowance for doubtful debts is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	7,748	9,894
Recognised in profit or loss	2,405	3,363
Amount recovered during the year	(949)	(5,509)
At 31 December	9,204	7,748

The allowance for doubtful debts represent individually impaired trade receivables with an aggregate balance of approximately RMB9,204,000 (2014: RMB7,748,000) which have financial difficulties.

26. BANK BALANCE AND CASH/RESTRICTED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Restricted bank deposits		
— dominated in RMB	73,397	212,119
Bank balances and cash		
— dominated in RMB	446,045	441,896
— dominated in US$	4,408	50,601
— dominated in other currency	4,370	3,108
	454,823	495,605

Bank balances and restricted bank deposits carry interest at market rates of 0.25% to 2.75% (2014: 0.35% to 3.25%) per annum.

Restricted bank deposits represent bank deposits of RMB47,897,000, RMB25,500,000 and RMB Nil (2014: RMB23,119,000, RMB9,000,000 and RMB180,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans, respectively (Note 41). The Group used the trade facilities in projects bidding process which were required by contractors.

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27. SHORT-TERM INVESTMENT

As at December 31, 2015, the Group's short-term investments represented investments in wealth management products operated by a bank, which mainly invested in debt securities. These investments were non principal-protected, with expected annual returns at rates of 5.10% per annum with maturity of less than one year. The short-term investments will mature in September 2016.

28. SHARE CAPITAL

	Number of shares	Share capital	
			Shown in the consolidated financial statements
	'000	GBP'000	RMB'000
Ordinary shares of GBP0.002 each			
Authorised:			
Balance as at 1 January 2014, 31 December 2014 and 2015	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2015	4,517,340	9,034	124,098
Issue of shares (note)	903,468	1,806	17,421
Balance as at 31 December 2015	5,420,808	10,840	141,519
Balance as at 1 January 2014	4,547,200	9,094	124,715
Shares repurchased and cancelled on 16 May 2014	(29,860)	(60)	(617)
Balance as at 31 December 2014	4,517,340	9,034	124,098

Note:

On 26 June 2015, the Company issued 903,467,970 ordinary shares with a nominal value of GBP0.002 each at the issue price of HK$1.69 per share to Conch International Holding (HK) Limited. The newly issued shares represented 16.67% of the total issued share capital of the Company immediately after such issue. The net proceeds after deducting all the relevant costs and expenses was HK$1,511,181,000 (equivalent to approximately RMB1,191,528,000). The Company intends to use the net proceeds for general working capital and for future potential acquisitions and/or investment opportunities.

29. RESERVES

Equity reserve

Equity reserve comprise of:

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

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

(c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of Ankang Yaobai Jianghua Cement Co., Ltd ("Ankang Yaobai Jianghua") to acquire the remaining 20% equity interests in Ankang Yaobai Jianghua from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was recognised directly in equity reserve.

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

Statutory reserve

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

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30. BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank loans		
— denominated in RMB	538,400	643,800
— denominated in US$	–	178,373
	538,400	822,173
Unsecured other loans	3,000	6,000
	541,400	828,173
Carrying amount repayable as follows:		
Within one year	538,400	745,173
More than one year but not more than two years	1,000	80,000
More than two years but not more than five years	2,000	3,000
	541,400	828,173
Less: Amount due for settlement within one year and shown under current liabilities	538,400	745,173
Amount due after one year	3,000	83,000

Bank loans:

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

	2015 RMB'000	2014 RMB'000
Fixed rate borrowings		
— within one year	458,400	662,173
Variable rate borrowings		
— within one year	80,000	80,000
— more than one year but not more than two years	–	80,000
	538,400	822,173

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

	2015	2014
Effective interest rate per annum:		
Fixed rate borrowings	4.85% to 6.24%	1.28% to 6.60%
Variable rate borrowings	7.38%	7.38%

30. BORROWINGS *(Cont'd)*

Other loans:

Other loans were obtained from independent third parties, unsecured, interest free and denominated in RMB. An analysis of the terms of other loans is as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**–**	3,000
More than one year but not more than two years	**1,000**	–
More than two years but not more than five years	**2,000**	3,000
	3,000	6,000

The fair values of all borrowings are approximate to their carrying amounts because the impact of discounting is not significant.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 41.

31. SENIOR NOTES

6.50% Senior Notes Due 2019

On 4 September 2014, the Company issued 6.5%, five-year senior notes with an aggregated principal amount of US$400,000,000 due in 2019 (the "2019 Senior Notes") at 100% of the face value. The 2019 Senior Notes are listed on the HKSE and guaranteed by certain subsidiaries of the Company and secured by pledges of the shares of these subsidiaries.

According to the terms and conditions of the 2019 Senior Notes, at any time or from time to time prior to 11 September 2017, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 11 September 2017, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 11 September 2017, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 11 September 2017 the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.50% of the principal amount of the notes, plus accrued and unpaid interest, if any, with the proceeds from issue of shares of the Company.

On or after 11 September 2017, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 103.25% (if redeemed prior to 11 September 2018) or 101.625% (if redeemed on or after 11 September 2018), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

31. SENIOR NOTES *(Cont'd)*

6.50% Senior Notes Due 2019 *(Cont'd)*

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period is insignificant.

The effective interest rate is approximately 6.80% per annum after adjusted for transaction costs.

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	2,408,288	2,407,455
Net proceeds from the issue of 2019 Senior Notes	–	2,417,836
Interest expenses	173,125	227,965
Interest paid	(163,080)	(194,375)
Exchange losses	145,149	8,207
Redemption of 2016 Senior Notes *(Note 9)*	–	(2,458,800)
Carrying amount at 31 December	2,563,482	2,408,288
Fair value	2,734,000	2,343,000

32. MEDIUM-TERM NOTES

On 28 March 2013, Shaanxi Yaobai issued 6.1%, unsecured three-year medium-term notes with a principal amount of RMB800,000,000 (the "First Tranche of the Medium-term Notes") at 100% of the face value. The First Tranche of the Medium-term Notes was issued to investors in the national inter-bank market in the PRC. The medium-term notes have been registered with the National Association of Financial Market Institutional Investors of the PRC with an aggregate approved facility of RMB1,600,000,000. The medium-term notes, including the first tranche, were used for the expansion of production facilities, the repayment part of the bank loans and general working capital of the Group. Subsequent to the First Tranche of the Medium-term Notes, Shaanxi Yaobai did not further issue the remaining RMB800,000,000 and accordingly, the facilities lapsed during the current year.

The effective interest rate of the First Tranche of the Medium-term Notes is approximately 6.26% per annum after adjusted for transaction costs.

The First Tranche of Medium-term Notes recognised in the consolidated statement of financial position were calculated as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	796,548	794,189
Interest expenses	51,312	51,159
Interest paid	(48,800)	(48,800)
Carrying amount at 31 December	799,060	796,548
Fair value	829,360	823,600

33. ASSET RETIREMENT OBLIGATION

	2015 RMB'000	2014 RMB'000
1 January	**14,761**	13,763
Additional provision for new mine	**5,166**	–
Acquisition of a subsidiary *(Note 36)*	**–**	183
Unwinding of discount	**1,034**	815
31 December	**20,961**	14,761

According to a regulation issued in 2009 by the Ministry of Land and Resources of the People's Republic of China, the owner of a mine should undertake the obligation of environmental restoration. A provision is recognised for the present value of costs to be incurred for the restoration of the limestone mines of the Group based on the best estimate of future expenditure by the management. These amounts will be settled when environmental restoration is undertaken, generally at the end of a mining life. However, so far the local Land and Resource Bureau has not issued specific rules for the restoration standard, and if the restoration standard is released, the estimate of restoration costs may be subject to revision in the future. The amounts provided in relation to restoration and environmental cleanup costs are reviewed at least annually based upon the facts and circumstances available at the time, and the provisions are updated accordingly.

34. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Deferred income for acquisition of property, plant and equipment *(note (a))*	**66,389**	56,633
Deferred income for construction of properties *(note (b))*	**–**	10,000
	66,389	66,633

(a) Deferred income represents government grants to the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful life of the property, plant and equipment of 5–12 years.

(b) Deferred income represents government grants to the Group's subsidiaries for construction of properties, which have been completed and transferred to property, plant and equipment for the year ended 31 December 2015. Such deferred income has been included in (a) above as at 31 December 2015 and will be amortised based on the expected useful life of the related property, plant and equipment of 5-12 years.

35. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**588,877**	762,766
Bill payables	**75,200**	30,000
	664,077	792,766
Amount due to non-controlling shareholder of a subsidiary	**5,365**	3,774
Payables for constructions and equipment purchase	**328,701**	444,393
Advance from customers	**121,290**	96,502
Other tax liabilities	**39,254**	39,379
Payroll and welfare payable	**26,285**	28,511
Acquisition consideration payable to previous shareholders of subsidiaries	**–**	5,000
Advance from previous shareholder of a subsidiary	**–**	7,921
Deposit received	**45,000**	–
Interest payable	**87,178**	84,328
Other payables	**93,355**	95,007
	1,410,505	1,597,581

The following is an aged analysis of trade payables presented based on the date of delivering of goods at the end of the reporting period.

	2015 RMB'000	2014 RMB'000
0 to 90 days	**447,674**	610,163
91 to 180 days	**139,881**	102,934
181 to 360 days	**47,413**	51,230
361 to 720 days	**24,550**	14,021
Over 720 days	**4,559**	14,418
	664,077	792,766

36. BUSINESS COMBINATION

Business combination of Yaowangshan Cement Co., Ltd. ("Yaowangshan Cement")

On 25 November 2015, the Group acquired 100% equity interest in Yaowangshan Cement from independent third parties for a cash consideration of RMB391,654,000. Yaowangshan Cement is principally engaged in the production and sale of cement products in Shaanxi Province, China and was acquired with the primary objective of promoting the continuing consolidation of the cement industry in Shaanxi Province.

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

Assets and liabilities recognised at the date of acquisition, determined on a provisional basis

	RMB'000
Assets	
Trade and other receivables	96,573
Inventories	24,903
Bank balances and cash	2,352
Property, plant and equipment	827,107
Mining rights	60,822
Prepaid lease payment	39,804
Deferred tax assets	9,731
Liabilities	
Trade and other payables	(281,748)
Amount due to previous shareholder *(Note)*	(378,159)
Deferred tax liabilities	(39,344)
	362,041

The trade and other receivables acquired with gross contractual amount of RMB96,573,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

The fair value of the acquired property, plant and equipment, mining rights and prepaid lease payment of RMB827,107,000, RMB60,822,000 and RMB39,804,000, respectively, is provisional, awaiting the completion of final valuation. Deferred tax liabilities of RMB39,344,000 has been provided in relation to these fair value adjustments and they may be adjusted accordingly.

Goodwill arising on acquisition, determined on a provisional basis

	RMB'000
Consideration transferred	391,654
Less: Recognised amount of net identifiable assets acquired	362,041
Goodwill arising on acquisition	29,613

36. BUSINESS COMBINATION *(Cont'd)*

Business combination of Yaowangshan Cement Co., Ltd. ("Yaowangshan Cement") *(Cont'd)*

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Yaowangshan Cement. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	391,654
Less: cash and cash equivalent balances acquired	2,352
	389,302

Included in the loss for the year is a loss of RMB118,000 attributable to the additional business generated by Yaowangshan Cement. Revenue for the year includes RMB12,590,000 in respect of Yaowangshan Cement.

Had the acquisition been completed on 1 January 2015, the revenue of the Group for the year ended 31 December 2015 would have been RMB3,672,514,000, and the loss for the year would have been RMB351,883,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Yaowangshan Cement been acquired at the beginning of the current year, the directors have calculated depreciation and amortisation of property, plant and equipment, mining rights and prepaid lease payment acquired on the basis of the provisional fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

Note: The amount due to previous shareholder amounting to RMB378,159,000 was fully settled before 31 December 2015.

Business combination of Huocheng Nangang Xixin Mining Co., Ltd. ("Huocheng Mining")

On 23 May 2014, the Group acquired 100% equity interest Huocheng Mining from independent third parties for a cash consideration of RMB20,000,000. Huocheng Mining is principally engaged in the production and sale of limestone in Xinjiang, China and was acquired with the primary objective of stabilising limestone supply cost to the Group's operation in Xinjiang.

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

36. BUSINESS COMBINATION *(Cont'd)*

Business combination of Huocheng Nangang Xixin Mining Co., Ltd. ("Huocheng Mining") *(Cont'd)*

Assets and liabilities recognised at the date of acquisition

	RMB'000
Assets	
Trade and other receivables	311
Inventories	1
Bank balances and cash	195
Property, plant and equipment	2,324
Mining rights	23,656
Liabilities	
Trade and other payables	(1,624)
Deferred tax liabilities	(4,680)
Asset retirement obligation	(183)
	20,000

The trade and other receivables acquired with gross contractual amount of RMB311,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

The fair value of the acquired property, plant and equipment and mining rights of RMB2,324,000 and RMB23,656,000, respectively, has been determined based on the valuation report issued by an independent professional value and the management reasonable estimation in investment evaluation due diligence.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	20,000
Less: Recognised amount of net identifiable assets acquired	(20,000)
Goodwill arising on acquisition	–

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	15,000
Less: cash and cash equivalent balances acquired	(195)
	14,805

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36. BUSINESS COMBINATION *(Cont'd)*

Business combination of Huocheng Nangang Xixin Mining Co., Ltd. ("Huocheng Mining") *(Cont'd)*

As at 31 December 2014, the remaining balance of the consideration of RMB5,000,000 was unpaid and included in 'trade and other payables' on the consolidated statement of financial position. The amount is unsecured, interest-free and repayable on demand and settled in 2015.

Had the acquisition been completed on 1 January 2014, the revenue of the Group for the year ended 31 December 2014 would have been RMB3,883,445,000, and the profit for the year would have been RMB35,404,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

37. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**14,329**	180,528

38. SHARE-BASED PAYMENTS

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

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

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

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK$19,069,000, HK$19,553,000, HK$21,103,000 and HK$16,205,000 at the respective grant date.

For Forth Issuance, the closing price of the Company's shares immediately before 13 April 2015 was HK$1.45 per share.

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

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (from 1 to 6 years) succeeding the date of grant, subject to the fulfilment of certain non-market performance condition, for example, the share options would vest only if the growth in profit after tax of the Group in the financial year (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0, and so on. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options will not vest.

Fair value of the share options

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. The following assumptions were used to calculate the fair values of share options:

	2015	2014
Grant date share price	**HK$1.45**	HK$0.91
Exercise price	**HK$1.45**	HK$0.91
Expected option life	**5.5 years to 7 years**	5.5 years to 7 years
Expected volatility	**43.58% to 51.38%**	54.46% to 55.36%
Dividend yield	**1.80%**	1.98%
Risk-free interest rate	**1.08% to 1.28%**	1.61% to 1.87%

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

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

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2014 and 2015:

	Date of grant	Exercise period	Exercise price	Number of options ('000) Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding at 31.12.2015
First Issuance	23 March 2011	23 March 2012 to 22 March 2021	HK$3.41	5,350	–	–	–	5,350
Second Issuance	22 March 2013	22 March 2014 to 21 March 2023	HK$1.25	23,250	–	–	–	23,250
Third Issuance	24 March 2014	24 March 2015 to 23 March 2024	HK$0.91	46,400	–	–	–	46,400
Fourth Issuance	13 April 2015	13 April 2016 to 12 April 2025	HK$1.45	–	29,100	–	–	29,100
				75,000	29,100	–	–	104,100
Exercisable at the end of the year								–
Weighted average exercise price								HK$1.27

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

				Number of options ('000)				
	Date of grant	Exercise period	Exercise price	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding at 31.12.2014
First Issuance	23 March 2011	23 March 2012 to 22 March 2021	HK$3.41	13,300	–	–	7,950	5,350
Second Issuance	22 March 2013	22 March 2014 to 21 March 2023	HK$1.25	34,000	–	–	10,750	23,250
Third Issuance	24 March 2014	24 March 2015 to 23 March 2024	HK$0.91	–	52,100	–	5,700	46,400
				47,300	52,100	–	24,400	75,000
Exercisable at the end of the year								–
Weighted average exercise price								HK$1.19

The Group recognised the total net expense of RMB12,265,000 (2014: RMB3,957,000) for the year ended 31 December 2015 in relation to share options granted by the Company.

39. RETIREMENT BENEFITS PLANS

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

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

The total expense recognised in the profit or loss of RMB25,320,000 (2014: RMB18,761,000) represents contributions paid or payable under the retirement benefit scheme.

40. RELATED PARTY DISCLOSURES

Key management compensation

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

	2015 RMB'000	2014 RMB'000
Salaries and other short-term employee benefits	8,829	9,927
Post-employment benefits	162	122
Share-based payments *(Note)*	7,342	7,356
	16,333	17,405

Note: During the year ended 31 December 2014, as the result of the non-fulfilment of performance condition attached to the share option scheme (Note 38), the share-based payment expenses charged to profit or loss in the prior periods was reversed against profit or loss in that year. For the purpose of this presentation, such reversal of RMB5,693,000 was not reflected under the total emoluments paid or payable to key management personnel above.

41. ASSETS PLEDGED FOR SECURITY

At the end of the reporting period, certain assets of the Group were pledged to secure trade facilities and bank loans. The aggregate carrying amount of the pledged assets at the end of each reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Restricted bank deposit *(Note 26)*	25,500	189,000
Trade receivables	10,000	–
Prepaid lease payments	90,149	44,122
Property, plant and equipment	2,154,597	1,401,014
	2,280,246	1,634,136

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, amount due from a previous shareholder of a subsidiary amounting to RMB7,921,000 (2014: Nil) was net off with the amount due to the same party.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principle subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2015	2014	Principal activities
Directly held						
West China Cement Co., Ltd.	Ordinary	British Virgin Islands	HK$7,800	100%	100%	Investment holding
Faithful Alliance Limited 集誠有限公司	Ordinary	Hong Kong	HK$100	100%	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,620,000,000	100%	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Ankang Yaobai 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	100%	100%	Production and sale of cement
Hanzhong Yaobai 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	100%	100%	Production and sale of cement
Hanzhong Mianxian Yaobai Cement Co. Ltd. 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	100%	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd. 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	100%	100%	Purchase and sale of raw material
Hanzhong Xixiang Yaobai Cement Co., Ltd. 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	100%	100%	Production and sale of cement
Shangluo Yaobai Longqiao Cement Co., Ltd ("Longqiao Yaobai") 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	100%	100%	Production and sale of cement

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2015	2014	Principal activities
Xiushan Yaobai Cement Co., Ltd. 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	100%	100%	Production and sale of cement
Ankang Yaobai Jianghua 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement
Hancheng Yaobai Yangshanzhuang 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	80%	80%	Production and sale of cement
Luxin Building Materials Co., Ltd. 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Production and sale of cement
Hetian Yaobai Cement Co., Ltd. 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	100%	100%	Production and sale of cement
Shifeng Cement Co., Ltd. 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Fuping Cement Co., Ltd. ("Fuping") 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	100%	100%	Production and sale of cement
Guizhou Linshan. Cement Co., Ltd. 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	100%	100%	Production and sale of cement
Yili Yaobai Cement Co., Ltd. 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB1,000,000,000	100%	100%	Production and sale of cement
Yaowangshan Cement Co., Ltd. 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

(a) Except for West China Cement Co., Ltd. and Faithful Alliance Limited, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.

(b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance Limited, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.

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

Details of non -wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non–controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non–controlling interests	
		2015	2014	2015	2014	2015	2014
				RMB'000	RMB'000	RMB'000	RMB'000
Hancheng Yaobai Yangshanzhuang 韓城堯柏陽山莊水泥有限公司	Shaanxi, PRC	20%	20%	802	2,135	42,781	41,979
Xi'an Yaobai Hongyi Cement Admixture Co., Ltd. 西安市堯柏宏藝水泥外加劑有限公司	Shaanxi, PRC	45%	45%	1,347	1,465	4,062	2,715
Shaanxi Jiandaxin Technology Co., Ltd. 陝西建達信科技有限責任公司	Shaanxi, PRC	49%	49%	(301)	(12)	637	938
Total						47,480	45,632

Summarised financial information of Hancheng Yaobai Yangshanzhuang which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non -wholly-owned subsidiaries that have material non-controlling interests *(Cont'd)*

Hancheng Yaobai Yangshanzhuang

	2015 RMB'000	2014 RMB'000
Current assets	95,369	79,684
Non-current assets	395,149	433,666
Current liabilities	275,695	303,455
Non-current liabilities	917	–
Equity attributable to owners of the Company	171,125	167,916
Non-controlling interests	42,781	41,979

	2015 RMB'000	2014 RMB'000
Revenue	194,174	220,767
Expenses	190,162	210,091
Profit for the year	4,012	10,676
Profit attributable to owners of the Company	3,210	8,541
Profit attributable to non-controlling interests	802	2,135
Profit for the year	4,012	10,676
Net cash inflow from operating activities	513	1,066
Net cash outflow from investing activities	(1,255)	(57)
Net cash (outflow) inflow	(742)	1,009

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current assets		
Unlisted investments in subsidiaries	**1,700,742**	1,700,742
Amount due from subsidiaries	**4,396,656**	3,371,979
	6,097,398	5,072,721
Current assets		
Dividend receivable from a subsidiary	**17,000**	17,000
Cash and cash equivalents	**105,377**	4,337
	122,377	21,337
Total assets	**6,219,775**	5,094,058
EQUITY		
Share capital	**141,519**	124,098
Reserves	**3,453,807**	2,503,570
Total equity	**3,595,326**	2,627,668
LIABILITIES		
Non-current liabilities		
Senior notes *(Note 31)*	**2,563,482**	2,408,288
	2,563,482	2,408,288
Current liabilities		
Other payables	**60,967**	58,102
	60,967	58,102
Total liabilities	**2,624,449**	2,466,390
Total equity and liabilities	**6,219,775**	5,094,058
Net current assets (liabilities)	**61,410**	(36,765)
Total assets less current liabilities	**6,158,808**	5,035,956

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Movement in reserves

	Share premium RMB'000	Share option reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	2,136,463	13,620	634,783	2,784,866
Loss and total comprehensive expense for the year	–	–	(172,714)	(172,714)
Recognition of equity-settled share-based payment *(Note 38)*	–	3,957	–	3,957
Dividend recognised as distribution *(Note 14)*	–	–	(90,944)	(90,944)
Share repurchased and cancelled	(21,595)	–	–	(21,595)
At 31 December 2014	**2,114,868**	**17,577**	**371,125**	**2,503,570**
Loss and total comprehensive expense for the year	**–**	**–**	**(227,100)**	**(227,100)**
Recognition of equity-settled share-based payment *(Note 38)*	**–**	**12,265**	**–**	**12,265**
Dividend recognised as distribution *(Note 14)*	**–**	**–**	**(9,035)**	**(9,035)**
Issue of new shares *(Note 28)*	**1,186,692**	**–**	**–**	**1,186,692**
Transaction costs attributable to issue of new ordinary shares *(Note 28)*	**(12,585)**	**–**	**–**	**(12,585)**
At 31 December 2015	**3,288,975**	**29,842**	**134,990**	**3,453,807**

At 31 December 2015, the aggregate amount of reserves available for distribution to equity holders of the Company under the Company's Articles of Association and Companies (Jersey) Law 1991, as amended, was RMB3,423,965,000 (2014: RMB2,485,993,000).

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 January 2016, the extraordinary general meeting of the Company approved the Company or its wholly-owned subsidiary to acquire the entire equity interests of four wholly-owned subsidiaries of Anhui Conch Cement Company Limited ("Anhui Conch") for a consideration of HK$4,593,882,600 (equivalent to RMB3,622,736,000) to be satisfied by issuing additional shares to Anhui Conch whose shareholding in the Company upon completion will increase from existing 21.17% to 51.57%. The transaction has not been completed as of the date of this report.

(b) On 4 March 2016, the Group's wholly-owned subsidiary established in the PRC, Shaanxi Yaobai has obtained facility to issue on its demand an one-year short-term note of RMB1,200 million by March 2016 for the purpose of, among others, repayment of part of the bank loans and to supplement general working capital across the Group.

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	3,190,479	3,524,117	4,167,843	3,883,385	**3,500,931**
Profit before tax	763,289	458,584	475,082	135,036	**(256,537)**
Income tax expense	(102,888)	(86,058)	(92,812)	(95,546)	**(50,820)**
Profit for the year	660,401	372,526	382,270	39,490	**(307,357)**
Attributable to:					
Owners of the Company	662,128	364,881	378,321	35,902	**(309,205)**
Non-controlling interests	(1,727)	7,645	3,949	3,588	**1,848**
	660,401	372,526	382,270	39,490	**(307,357)**

ASSETS AND LIABILITIES

	At 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	8,420,684	10,298,888	10,664,709	10,768,012	**11,382,495**
Total liabilities	(4,242,143)	(5,452,086)	(5,579,451)	(5,751,513)	**(5,478,595)**
	4,178,541	4,846,802	5,085,258	5,016,499	**(5,903,900)**
Equity attributable to:					
Owners of the Company	4,069,475	4,755,931	5,044,164	4,970,867	**5,856,420**
Non-controlling interests	109,066	90,871	41,094	45,632	**47,480**
	4,178,541	4,846,802	5,085,258	5,016,499	**5,903,900**