

CONCH

Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

2015 **Annual Report**



Important

1. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statements or material omission.
2. Mr. Zhao Jianguang, the independent non-executive Director of the Company did not attend the seventh meeting of the sixth session of the Board of the Company, and Mr. Wong Kun Kau, the independent non-executive Director of the Company, was appointed and authorised to attend and vote on his behalf.
3. KPMG and KPMG Huazhen LLP issued a standard unqualified audit report for the Company.
4. Mr. Wang Jianchao, deputy Chairman, Mr. Zhou Bo, chief accountant and Ms. Liu Yan, the person-in-charge of the Financial Department, have declared that they warrant the financial statements contained herein are true, accurate and complete.
5. As considered by the seventh meeting of the sixth session of the Board of the Company, the annual profit distribution proposal for 2015 is: a cash dividend of RMB0.43 per share (tax inclusive). No capitalization of common reserve fund was made.
6. Declaration of risks with respect to the forward-looking statements: the Company's plans for 2016 concerning its capital expenditure, production capacity and net sales growth as disclosed herein do not constitute any substantive commitment to investors. Investors and the public are advised to be cautious of any investment risks.
7. There was no appropriation of the Company's funds for non-operating purpose by the controlling shareholders of the Company and its related parties.
8. There was no external guarantee in violation of the established decision-making procedures.
9. Material risk alert: risks related to the policies and fluctuation of energy price that the Company may be exposed to in 2016 have been disclosed in the Chapter 5 herein. Investors are reminded to read it carefully.



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1. Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the Board of Directors of the Company
Director(s)	:	the Director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.
Guiding Conch	:	Guiding Conch Panjiang Cement Co., Ltd.
Guiyang Conch	:	Guiyang Conch Panjiang Cement Co., Ltd.
Lushan Conch	:	Jiangxi Lushan Conch Cement Co., Ltd.
Liukuangruian	:	Guizhou Liukuangruian Cement Co., Ltd.
Qianxian Conch	:	Qianxian Conch Cement Co., Ltd.
Ningguo Cement Plant	:	Ningguo Cement Plant of Anhui Conch Cement Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Tongren Conch	:	Tongren Conch Panjiang Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Yiyang Conch	:	Yiyang Conch Cement Co., Ltd.



1. Definitions

Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
Refractory Material	:	Anhui Conch Siam Refractory Material Co., Ltd.
Conch International (HK)	:	Conch International Holdings (HK) Limited
Jiangxi Shengta Group	:	Jiangxi Shengta Industrial Group Co., Ltd. and its subsidiaries Ganzhou Tianhe Building Materials Co., Ltd. and Hongrui Building Materials Co., Ltd.
Indonesia Conch	:	PT Conch Cement Indonesia
Kalimantan Conch	:	PT Conch South Kalimantan Cement
Sdic Papua Cement	:	PT Sdic Papua Cement Indonesia
Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd.
Jidong Cement	:	Tangshan Jidong Cement Co., Ltd., a company listed on Shenzhen Stock Exchange, and the stock code is 000401
Chaodong Cement	:	Anhui Chaodong Cement Co., Ltd., a company listed on SSE, and the stock code is 600318
WCC	:	West China Cement Limited, a company listed on Hong Kong Stock Exchange, and the stock code is 02233
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.



1. Definitions

Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
CCVH	:	China Conch Venture Holdings Limited
Conch Property	:	Wuhu Conch Property Management Co., Ltd.
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Haichang Port	:	Yangzhou Haichang Port Industrial Co., Ltd.
Sanshan Port	:	Wuhu Sanshan Conch Port Co., Ltd.
Low-NOx staged combustion technology modification	:	The combustion technology that enables staged combustion of coal power and air under different environment to prevent the formation of NOx emissions.
SNCR flue gas denitration technology modification	:	Selective non-catalytic reduction denitration technology modification, for the purpose of denitration by spraying ammonia or urea
Regional Committee(s)	:	Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit



1. Definitions

Reporting Period	:	The period from 1 January 2015 to 31 December 2015
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
SSE	:	Shanghai Stock Exchange
SSE Listing Rules	:	The Rules Governing the Listing of Stocks on the SSE
A Shares	:	Ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	Foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Clinker	:	Semi-finished products made in the manufacturing process of cement
Hong Kong	:	Hong Kong Special Administrative Region of the PRC
RMB	:	Renminbi, the lawful currency of the PRC, which is the currency unit used in this report, unless otherwise specified
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission
Articles	:	Articles of Association of the Company

2. Corporate Profile and Major Financial Indicators

- (1) Official Chinese name of the Company : 安徽海螺水泥股份有限公司
Official English name of the Company : ANHUI CONCH CEMENT COMPANY LIMITED
Abbreviation in English : ACC
- (2) Legal Representative of the Company : Wang Jianchao
- (3) Secretary to the Board (Company Secretary) : Yang Kaifa
Phone number : 0086 553 8398976
Fax number : 0086 553 8398931
Company secretary (Hong Kong) : Leo P. Y. Chiu
Phone number : 00852 21113220
Fax number : 00852 21113299
Securities Affairs Representative : Liao Dan
Phone number : 0086 553 8398911
Fax number : 0086 553 8398931
E-mail : dms@conch.cn
- (4) Registered address of the Company : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Office address of the Company : 1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Postal code : 241070
Email address of the Company : cement@conch.cn
Website of the Company : <http://www.conch.cn>
Contact address in Hong Kong : 40/F Jardine House, 1 Connaught Place, Central, Hong Kong
- (5) Company's designated newspaper for information disclosure in the PRC : Shanghai Securities Journal, Securities Times
Website for publication of this report : <http://www.sse.com.cn>
Location where this annual report is available for inspection : Secretariat to the Board of the Company



2. Corporate Profile and Major Financial Indicators

(6) Exchange on which the Company's shares are listed:

H Shares	:	Stock Exchange
Stock code	:	00914
A Shares	:	SSE
Stock code	:	600585
Stock name	:	Conch Cement

(7) Legal adviser as to PRC law : Jingtian & Gongcheng
34th Floor, Tower 3,
China Central Place,
77 Jianguo Road, Chaoyang District,
Beijing, the PRC

Legal adviser as to Hong Kong law	:	Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
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(8) International auditors : KPMG
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong

PRC auditors : KPMG Huazhen LLP
8th Floor, Tower E2,
Oriental Plaza, 1 East Chang An Avenue,
Beijing, the PRC

Authorised signatory of the Accountant : Yu Xiaojun, Li Ling

(9) H Shares share registrar and transfer office : Hong Kong Registrars Limited
17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

2. Corporate Profile and Major Financial Indicators

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

(Unit: RMB'000)

Items	2015	2014	2013	2012	2011
Revenue	50,976,036	60,758,501	55,261,677	45,766,203	48,653,809
Net profit attributable to equity shareholders of the Company	7,538,700	10,980,917	9,389,298	6,331,103	11,586,382
Total assets	105,781,392	102,253,097	93,094,480	87,523,523	84,003,416
Total liabilities	32,236,883	33,026,013	34,692,721	36,720,402	37,554,590

2. Corporate Profile and Major Financial Indicators

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

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

Table 1:

(Unit: RMB'000)

Items	2015	2014	Year-on-year change (%) between 2015 and 2014	2013
Revenue	50,976,036	60,758,501	-16.1	55,261,677
Profit before taxation	10,039,397	14,882,810	-32.54	12,631,266
Net profit attributable to equity shareholders of the Company	7,516,385	10,993,022	-31.63	9,380,159
Net profit after extraordinary items attributable to equity shareholders of the Company	5,301,375	10,387,222	-48.96	8,952,455
Basic earnings per share (RMB/share)	1.42	2.07	-31.63	1.77
Diluted earnings per share (RMB/share)	1.42	2.07	-31.63	1.77
Basic earnings per share after extraordinary items (RMB/share)	1.00	1.96	-48.96	1.69
Diluted return on net assets (%)	10.66	16.60	Decreased by 5.94 percentage points	16.72
Weighted average return on net assets (%)	11.03	18.47	Decreased by 7.44 percentage points	18.05
Diluted return on net assets after extraordinary items (%)	7.52	15.69	Decreased by 8.17 percentage points	15.95
Weighted average return on net assets after extraordinary items (%)	7.78	17.45	Decreased by 9.67 percentage points	17.22
Net cash flow generated from operating activities	9,908,174	17,654,489	-43.88	15,198,545
Net cash flow per share generated from operating activities (RMB/share)	1.87	3.33	-43.88	2.87

2. Corporate Profile and Major Financial Indicators

Table 2:

(Unit: RMB'000)

Items	As at 31 December 2015	As at 31 December 2014	Year-on-year change (%) between 2015 and 2014	As at 31 December 2013
Total assets	105,781,392	102,253,097	3.45	93,094,480
Total equity attributable to equity shareholders of the Company	70,491,888	66,216,608	6.46	56,118,028
Net assets per share attributable to equity shareholders of the Company (RMB/share)	13.30	12.50	6.46	10.59

2. Major financial data for 2015 listed by quarters

(Unit: RMB'000)

Items	In the first quarter	In the second quarter	In the third quarter	In the fourth quarter
Revenue	11,229,338	12,993,985	13,745,544	13,007,169
Net profit attributable to equity shareholders of the Company	1,713,524	2,991,821	1,397,375	1,413,665
Net profit after extraordinary items attributable to equity shareholders of the Company	1,510,144	1,304,972	1,310,365	1,175,894
Net cash flow generated from operating activities	851,376	3,335,167	2,151,508	3,570,123

2. Corporate Profile and Major Financial Indicators

3. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	2015	2014	2013
(1) Gain/(Loss) on disposal of non-current assets	1,221,775	-4,022	-634
(2) Government subsidy	1,014,097	692,767	539,621
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and financial assets available for sale	732,284	29,890	8,175
(4) Entrusted fee income obtained from entrusted operation	8,266	21,000	982
(5) Charges on share of funds received from non-financial enterprises included in the current income statement	15,648	10,794	15,823
(6) Other non-operating income and expenses other than the above items	-25,647	31,697	7,097
(7) Effect of extraordinary items on income tax	-727,453	-192,608	-135,616
(8) Effect of extraordinary items on minority interests	-23,960	-8,420	-7,743
Total	2,215,010	605,800	427,705

4. Items at fair value

(Unit: RMB'000)

Items	Opening balance of the Reporting Period	Closing balance of the Reporting Period	Changes during the Reporting Period	Impact on the profit for the current period
Financial assets at fair value through profit or loss	20,343	-	-20,343	-20,343
Available-for-sale financial assets	3,935,395	3,249,600	-685,795	648,699
Financial liabilities at fair value through profit or loss	1,473	6,393	4,920	-4,920

2. Corporate Profile and Major Financial Indicators

(12) EXPLANATIONS FOR DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND IFRSs

(Unit: RMB'000)

	Net profit attributable to parent company		Equity attributable to equity shareholders of parent company	
	1 January to 31 December 2015 (Audited)	1 January to 31 December 2014 (Audited)	31 December 2015 (Audited)	31 December 2014 (Audited)
As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards	7,516,385	10,993,022	70,491,888	66,216,608
- Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 - Government Subsidy" in accordance with IFRSs	22,315	-12,105	-344,318	-366,632
As reported in accordance with IFRSs	7,538,700	10,980,917	70,147,570	65,849,976





3. Business Overview of the Company

(1) OVERVIEW OF THE CEMENT INDUSTRY

Given the over-capacity in the cement industry, the PRC government, on one hand, imposed control over new production capacity, and on the other hand continued to eliminate backward production capacity through administrative and market means, forcing smaller and uncompetitive enterprises out of the market while encouraging and supporting industry integration, thereby leading to enhancement in cooperation among major enterprises and increasing industry concentration.

In 2015, as the PRC economy entered into a “new normal” phase, the growth in fixed asset investments and property investment slowed down and the cement market demand declined significantly, with the production and sales volume of cement recording a negative growth. In 2015, the PRC’s cement production volume decreased by 4.9% year-on-year to 2.348 billion tonnes. Due to severe market competition, the product price showed a trend of decrease, with substantial decline in the profitability of the industry. The profit of the industry in aggregate amounted to approximately RMB33 billion, representing a year-on-year decrease of 57%. There were 3,392 cement enterprises across the country, overall losses of the enterprises accounted for a rate of 34%. (source: Digital Cement)





3. Business Overview of the Company

(2) INTRODUCTION OF THE MAIN BUSINESS OF THE COMPANY

During the Reporting Period, the Group was principally engaged in production and sale of cement and commodity clinker. The Group produced and sold cement products according to market demands, which mainly included 32.5-grade cement, 42.5-grade cement and 52.5-grade cement, widely used in infrastructure construction across the country, including railways, expressways, airports, hydraulic facilities and other major infrastructure projects as well as urban property development and the rural markets.

From the operation model perspective, cement is a regional product as its sales radius is subject to transportation and local cement price, resulting in a sales model different from that of the consumer staples. The Group has established over 300 marketing departments across the country, and adopted a sales model with its focus on direct sales and supplemented by distribution. The Company continued to fine-tune the “T” shape development strategy by setting up clinker production bases in the regions with abundant limestone resources alongside the Yangtze River and establishing grinding mill stations, silo terminals and other sales outlets in regions lack of limestone resources alongside the middle-stream and downstream areas of Yangtze River and the coastal line, and also took full advantage of the “golden waterway” along Yangtze River for transportation purpose, in an effort to seize market share with its advantage of convenient waterway access.

In 2015, keeping abreast with the development strategy of “One Belt and One Road” advocated by the PRC government, the Group proactively promoted the implementation of its development strategy of internationalization, which has achieved milestone results. Meanwhile, the Group made great efforts to explore the domestic market. With the strategy of “one policy for one region”, the Group managed to achieve excellent operating results amidst a sluggish market. In 2015, the Group recorded a total profit of RMB10 billion, accounted for approximately 31% of the profit of the industry.

3. Business Overview of the Company

(3) CHANGES IN THE PRIMARY ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Report Period, the balance of construction-in-progress of the Group showed a substantial change as compared to that at the beginning of the year, while there was no material change in the equity assets, fixed assets, intangible assets and other primary assets.

As at the end of the Reporting Period, the balance of available-for-sale financial assets of the Group decreased by 17.4% as compared to that at the beginning of the year, which was mainly attributable to the disposal of certain available-for-sale financial assets by the Company. The balance of long-term equity investments increased by 12.5% as compared to that at the beginning of the year, which was mainly attributable to the increase in investments in the joint ventures and associated companies by the Company.

As at the end of the Reporting Period, the balance of fixed assets of the Group increased by 7.76% as compared to that at the beginning of the year, while the balance of construction-in-progress decreased by 60.47% as compared to that at the beginning of the year, which was mainly attributable to the transfer of the construction-in-progress to fixed assets after completion of these assets.

As at the end of the Reporting Period, the balance of intangible assets of the Group increased by 6.53% as compared to that at the beginning of the year, which was mainly attributable to the mining rights and land use rights acquired through merger and acquisition and new projects.

As at the end of the Reporting Period, total assets of overseas enterprises of the Group amounted to approximately RMB4.065 billion, which accounted for 3.84% of the total assets as shown in the consolidated financial statements of the Company, representing an increase of 156.72% as compared to that at the beginning of the year, mainly attributable to the increase of investments in the construction of cement projects in Indonesia and other countries as the Company accelerated its development pace of internationalization.



3. Business Overview of the Company

(4) CHANGES IN CORE COMPETITIVENESS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Group continued to consolidate and enhance its advantage in technology, equipment, resources, funding, human resource and management, with no material change in its core competitiveness.

4. Report of the Directors

(1) INVESTMENTS DURING THE REPORTING PERIOD

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

- (1) In April 2015, Conch International (HK), Cambodia KT Pacific Group Limited (“KT Group”) and Changxing Cement Holdings Limited (“Changxing”) invested in and established Battambang Conch Cement Company Limited (“Battambang Conch”), which is located in Battambang, Cambodia, with a registered capital of US\$10 million as at the end of the Reporting Period. Conch International (HK), KT Group and Changxing contributed US\$5.1 million, US\$2.9 million and US\$2 million respectively, representing 51%, 29% and 20% of the registered capital of Battambang Conch respectively.
- (2) In September 2015, Conch International (HK) and PT Conch International Trade Indonesia (“Indonesia International Trade Conch”) invested in and established PT Conch North Sulawesi Cement, which is located in North Sulawesi, Indonesia, with the registered capital of US\$50 million. Conch International (HK) and Indonesia International Trade Conch contributed US\$47.5 million and US\$2.5 million respectively, representing 95% and 5% of the registered capital of PT Conch North Sulawesi Cement respectively.
- (3) In June 2015, in order to acquire the cement assets of Jiangxi Shengta Group, the Company and Guangzhou Qianzhou Investment Company Limited (“Qianzhou Investment”, a company invested and established by the former shareholders of Jiangxi Shengta Group) invested in and established Ganzhou Conch Cement Co., Ltd. (“Ganzhou Conch”). The registered capital of Ganzhou Conch is RMB400 million. The Company and Qianzhou Investment contributed RMB220 million and RMB180 million in cash respectively, representing 55% and 45% of the registered capital of Ganzhou Conch.

Jiangxi Shengta Group is located in Ganzhou City, and currently owns one 3,500t/d and two 5,000t/d new dry-process cement and clinker production lines as well as an ancillary cement grinding mill with an annual production capacity of 5.4 million tonnes.

- (4) In September 2015, in order to acquire the related assets and liabilities of the cement business of Chaodong Cement, the Company invested in and established Chaohu Conch Cement Co., Ltd. (“Chaohu Conch”), with a registered capital of RMB500 million. The assets acquired from Chaodong Cement included three 4,500t/d cement and clinker production lines, a pure low-temperature residual heat power generator with a capacity of 31MW, a cement grinding system and the related office facilities, with an aggregate production capacity of 5.4 million tonnes of clinker and 3.5 million tonnes of

4. Report of the Directors

cement respectively. Please refer to the ad-hoc announcement of the Company dated 27 October 2015 for further details.

- (5) In August 2015, the Company acquired 33% equity interests in Maoming Dadi Cement Co., Ltd. (“Maoming Cement”) held by Maoming Zhongcheng Investment Co., Ltd.. After completion of the equity transfer, the Company held 100% equity interests in Maoming Cement. Maoming Cement, which is located in Maonan District, Maoming City, Guangdong Province, currently has an annual cement grinding capacity of 1.7 million tonnes.
- (6) During the Reporting Period, the Company made injection into the following subsidiaries with the capital increase as follows:

Unit: RMB'000

Name of subsidiaries	Capital increase by the Company	Enlarged registered capital	The Company's
			shareholdings upon the capital increase
1. Lushan Conch	68,580	100,000	100%
2. Yangchun Conch Cement Co., Ltd.	370,000	550,000	100%
3. Yueqing Conch Cement Co., Ltd.	88,000	238,000	100%
4. Qianyang Conch Cement Co., Ltd.	220,000	490,000	100%
5. Baoji Zhongxi Fenghuangshan Cement Co., Ltd.	820,000	928,800	100%
6. Baoji Zhongxi Jinlinghe Cement Co., Ltd.	260,000	372,380	100%
7. Qianxian Conch	360,000	560,000	100%
8. Linxia Conch	150,000	350,000	100%
9. Maoming Dadi Cement Co., Ltd.	34,750	60,000	100%
10. Qianxinan Resource Development Co., Ltd.	20,400	250,000	51%
11. Tongren Conch	130,050	510,000	51%
12. Kalimantan Conch	US\$28.5 million	US\$90 million	71.25%
13. Indonesia International Trade Conch	US\$9 million	US\$10 million	100%

Note: 1 After completion of the capital increase, the Company's shareholdings in the above subsidiaries remained the same as before;

2 The Company made injections to Qianyang Conch Cement Co., Ltd., Baoji Zhongxi Fenghuangshan Cement Co., Ltd., Baoji Zhongxi Jinlinghe Cement Co., Ltd. and Qianxian Conch through converting certain debt payable to the Company into their respective registered capital.



4. Report of the Directors

2. Major investment projects during the Reporting Period

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

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

- (1) Based on the development needs of the Company and with the purpose of further enhancing our market coverage in Western China, Conch International (HK), a wholly-owned subsidiary of the Company, entered into a share subscription agreement with WCC on 18 June 2015, pursuant to which Conch International (HK) subscribed approximately 903.4 million new shares of WCC at a price of HK\$1.69 per share, representing 16.67% of the enlarged total issued shares of WCC. On 22 October 2015, Conch International (HK) increased its shareholding in WCC by 244,098,000 shares at a price of HK\$1.22 per share through the block trading system. As at the end of the Reporting Period, Conch International (HK) held 1,147,565,970 shares of WCC, representing 21.17% of the total issued shares of WCC.
- (2) During the Reporting Period, for sake of maximizing our investment return and based on the overall stock performance in the secondary market, the Company seized the proper opportunities to decrease its shareholding in the shares of Qingsong Building Materials and Chemicals and Jidong Cement, among which, the shareholding in Qingsong Building Materials and Chemicals decreased by 242,326,262 shares, representing 17.58% of the issued shares of Qingsong Building Materials and Chemicals, and the shareholding in Jidong Cement decreased by 79,646,859 shares, representing 5.91% of the issued shares of Jidong Cement.

4. Report of the Directors

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

Stock Code	Stock Name	Initial investment	Percentage of shareholding at the beginning of the Reporting Period	Percentage of shareholding at the end of the Reporting Period	Carrying amount as at the end of the Reporting Period	Profit/loss recognized during the Reporting Period	Change in equity interest during the Reporting Period
		cost (RMB)	Period (%)	Period (%)	Period (RMB)	Period (RMB)	Period (RMB)
600318	Chaodong Cement	98,019,695	16.28	16.28	1,203,626,992	-	762,507,152
000401	Jidong Cement	2,161,423,434	19.84	13.93	2,045,973,360	648,698,777	59,699,477
600425	Qingsong Building Materials and Chemicals	813,754,120	28.17	10.59	774,645,465	1,178,541,265	1,178,635,757
2233	WCC	1,449,828,915	-	21.17	1,389,578,672	-60,250,243	-60,250,243
Total		4,523,026,164	-	-	5,413,824,489	1,766,989,799	1,940,592,143

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

4. Major asset and equity disposals

On 27 November 2015, the Company, WCC and Grand Winner Holdings Limited ("Grand Winner", a wholly-owned subsidiary of WCC) entered into an equity sale agreement, pursuant to which, the Company intended to sell to Grand Winner its 100% equity interests in each of Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("FHS Company"), Baoji Zhongxi Jilinghe Cement Co., Ltd. ("Jinlinghe Company"), Qianxian Cement and Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") (the four companies together as "Four Shanxi Companies"), at the total consideration of HK\$4,593,882,600, and the consideration of the transaction will be satisfied by the issue of 3,402,876,000 new shares at the issue price of HK\$1.35 per share by WCC to the Company or its wholly-owned subsidiary Conch International (HK) or other wholly-owned subsidiaries designated by the Company.

4. Report of the Directors

Under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, subject to the completion of the transaction, Conch International (HK) would make unconditional cash offer to the other shareholders of WCC (other than those who was subject to the letter of undertaking) at a price of HK\$1.69 per share. Meanwhile, the Company would also make offer for the options to the option holders of WCC (other than those who was subject to the letter of undertaking). Where the offer proceeds the maximum cash consideration paid by the Company for the offer would be approximately HK\$3,789,530,000.

After the completion of this transaction, the Four Shanxi Companies would transform from direct wholly-owned subsidiaries of the Company to indirectly holding subsidiaries of the Company, and the Company (or Conch International (HK) or other wholly-owned subsidiaries of the Company) would hold in aggregate 4,550,441,970 shares of WCC (not taking into account of the shares subject to the offer that had been accepted), representing approximately 51.57% of the enlarged issued share capital of WCC (or representing approximately 51% of the total share capital after the exercise of the options of WCC) and become the controlling shareholder of WCC. For further details, please refer to the joint announcements released by the Company, Conch International (HK) and WCC on 27 November 2015, 24 December 2015, 29 December 2015 and 29 February 2016 respectively.

As at the date of this report, the transaction has been approved by Anhui SASAC and is subject to the completion of the approval procedures with the commerce authorities in the PRC and satisfaction of other conditions precedent.

Save as disclosed above, the Group had no other major asset or equity disposals.

5. Principal majority-owned subsidiaries and invested companies

As at 31 December 2015, the Company had 126 majority-owned subsidiaries, 4 jointly-controlled entities and 3 associated entities, details of which were set out in notes 18, 19 and 20 to the financial statements of the Company prepared in accordance with IFRS.

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

4. Report of the Directors

(2) PROFIT APPROPRIATION POLICY AND ITS IMPLEMENTATION

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

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

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

During the Reporting Period, the Company executed the profit distribution proposal for the year 2014 which was approved at the 2014 annual general meeting of the Company. It was proposed that based on the total number of issued shares of 5,299,302,579 shares at the end of 2014, a cash dividend of RMB6.50 (tax inclusive) was paid to all the shareholders of the Company for every 10 shares held, totaling RMB3,444,550,000 (tax inclusive). As of June 2015, the above dividend was paid to all the shareholders whose names were recorded in the register of members on the relevant record date. The announcement regarding the implementation of the aforesaid dividend distribution was published on the SSE website, Shanghai Securities Journal and Securities Times on 12 June 2015, and the websites of the Stock Exchange and the Company on 11 June 2015 respectively.

4. Report of the Directors

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

Year	Capitalization of capital reserve fund for the year	Cash Dividend paid per share (RMB)	Dividend for the year (RMB'000)	Cash dividend for the year to net profit attributable to equity shareholders of the Company
2013	/	0.35	1,854,756	19.77%
2014	/	0.65	3,444,547	31.33%
2015	/	0.43	2,278,700	30.32%

2. Profit appropriation proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group's profit after tax and minority interests for year 2015 amounted to RMB7,516.39 million and RMB7,538.7 million respectively. The Board proposed the appropriation of the profit for the year ended 31 December 2015 as follows:

- (1) Pursuant to the requirements of the Articles of the Company, the Company shall allocate 10% of its profit after tax to the statutory surplus reserve, provided that no allocation is required if the accumulated statutory surplus reserve exceeds 50% of the registered capital of the Company. As the statutory surplus reserve had reached 50% of the registered capital of the Company, no allocation was made for the year 2015.
- (2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2015, the payment of a final dividend of RMB0.43 per share (tax inclusive) is proposed, totaling RMB2,278.7 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2015.

4. Report of the Directors

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2015.

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

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

4. Report of the Directors

The Company shall determine the identity of individual holders of H Shares whose names appear on the H Shares register of members of the Company on 13 June 2016 (Monday) based on their registered addresses. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H Shares or any disputes over the withholding mechanism or arrangements. The relevant arrangements are detailed as follows:

- (1) For individual holders of H Shares who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of dividend.
- (2) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares. If such individual holders of H Shares would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholders to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholders shall submit to the Company the information required under the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-resident taxpayers under Tax Treaties (Guoshuifa No.60 [2015]) (《國家稅務總局關於印發〈非居民納稅人享受稅收協議待遇管理辦法〉的通知》(國稅發[2015]60號)) on or before 20 June 2016. Upon examination and approval by the competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.
- (3) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual applicable tax rate stipulated in the relevant tax treaty on behalf of the individual holder of H shares.

4. Report of the Directors

- (4) For individual holders of H shares who are mainland individual investors investing in H shares through Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in accordance with the register of Mainland individual investors provided by China Securities Depository and Clearing Company Limited. Individual investors who have paid the overseas withholding tax may apply to the competent tax authority under China Securities Depository and Clearing Company Limited for tax credit by presenting the effective tax withholding certificates.

(3) TAXATION

Details of taxation are set out in notes 8 and 34 to the financial statements prepared in accordance with the IFRS, and in note 4 “Taxation” and notes 18, 25, 40 and 49 under note 5 “Notes to Consolidated Financial Statements” to the financial statements prepared in accordance with the PRC Accounting Standards.

(4) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2015, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1.088 billion, representing 2.14% of the total sales amount of the Group; and the largest customer accounted for 0.78% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB5.776 billion, representing 15.65% of the total purchases amount of the Group; and the largest supplier accounted for 5.03% of the total purchases amount of the Group.

None of the Directors, Supervisors nor their respective associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2015. The major raw materials and energy used by the Company are mainly denominated in RMB.

(5) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and equipment of the Company for the year ended 31 December 2015 were set out in notes 14 and 15 to the financial statements prepared in accordance with the IFRS.



4. Report of the Directors

(6) TOTAL ASSETS

As at 31 December 2015, the Group's total assets as determined in accordance with the IFRS amounted to approximately RMB105.8 billion, representing an increase of approximately RMB3.5 billion over that of last year.

(7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2015 were set out in the consolidated statement of changes in equity and note 36 to the financial statements prepared in accordance with the IFRS.

(8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2015 were set out in notes 31, 32 and 33 to the financial statements prepared in accordance with the IFRS. The Group's deposits as at 31 December 2015 were placed with reputable commercial banks. The Group has no entrusted deposits or term deposits which cannot be withdrawn upon expiry. During the Reporting Period, interest capitalized in respect of construction-in-progress amounted to RMB5.49 million, details of which were set out in note 7 to the financial statements prepared in accordance with the IFRS.



4. Report of the Directors

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

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

Against the backdrop of high volatility in the exchange rate, and in order to effectively reduce foreign exchange risk to ensure an overall managed risk level, the Group made appropriate foreign exchange payment arrangements based on the import and export plan by studying and adjusting its operation strategy for foreign exchange risk on a timely basis and adopting forward transactions to fix the exchange rate for some US dollars proceeds to be received. Meanwhile, the Group took proactive measures to cope with the depreciation of Renminbi, gradually increasing dollar-denominated assets, reducing dollar-denominated liabilities, reducing the proportion of US dollars forward exchange settlement and temporarily suspending US dollars forward exchange settlement, so as to effectively minimize dollar exchange rate risk and maximize overall gains from foreign exchange. Furthermore, the Company has obtained approval from the foreign exchange administration for centralized operation and management of foreign funds by multi-national company, thereby the Company will implement centralized management and allocation over foreign funds in the domestic and overseas markets by adopting a management model of foreign fund pool, so as to balance the revenue and expense of foreign funds, improve the utilization efficiency of foreign funds and lower costs of exchange settlement and sales, effectively reducing finance costs.

(10) BUSINESS REVIEW, OUTLOOK AND MAJOR RISK FACTORS

For details on the business review, outlook for 2016 and the major risk factors of the Group, please refer to the two sections headed “3. Business overview of the Company” and “5. Management Discussion and Analysis” in this annual report.

(11) COMPLIANCE WITH LAWS AND REGULATIONS

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

5. Management Discussion and Analysis

(1) ANALYSIS OF OPERATIONAL CONDITIONS

Operations

In 2015, facing the downward pressure from the PRC's macro-economy, the Group took proactive measures to overcome the adverse effects of various factors including slowdown in the growth rate of fixed asset investment and property investment and decline in cement demand. Furthermore, in light of the unique characteristics of each regional market and changes in market conditions, the Group adjusted its marketing strategy in a timely manner and stepped up its efforts in exploring markets to maintain growth in market share. The Group also leveraged its competitive edge in bulk centralized procurement and optimized the procurement channels of raw materials and fuel to lower the procurement costs. Moreover, the Group strengthened indicator management and optimized production organization to stabilize operation quality.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from its principal activities amounted to RMB49.729 billion, representing a decrease of 15.66% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB7.516 billion, representing a decrease of 31.63% from that in the same period of last year; and earnings per share were RMB1.42, representing a decrease of RMB0.65 per share from that in the same period of last year. In accordance with the IFRS, the revenue amounted to RMB50.976 billion, representing a decrease of 16.10% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB7.539 billion, representing a decrease of 31.35% from that in the same period of last year; and earnings per share were RMB1.42.

During the Reporting Period, the Group promoted steady progress in project construction. Five clinker production lines of Guiyang Conch and Qiyang Conch as well as 17 cement grinding units of Lushan Conch and Linxia Conch had successively completed construction and been put into operation. Meanwhile, construction of six aggregate projects of Yiyang Conch and Qianxian Conch had been completed. As a result, the clinker, cement and aggregate production capacity increased by 11.5 million tonnes, 22.5 million tonnes and 9 million tonnes respectively. In addition, the Group successfully acquired the cement assets of Jiangxi Shengta Group, increasing its clinker and cement production capacity by 4.8 million tonnes and 5.4 million tonnes respectively.

As at the end of the Reporting Period, the clinker, cement and aggregate production capacity of the Group reached 229 million tonnes, 290 million tonnes and 23.4 million tonnes respectively, and the total installed capacity of residual heat electricity generation amounted to 1,183MW. In 2015, the Group produced an aggregate of 207 million tonnes of clinker and 224 million tonnes of cement, representing a year-on-year increase of 5% and 2% respectively.

5. Management Discussion and Analysis

The Group had taken proactive and prudent measures to facilitate international development. Construction of the phase-two project of Kalimantan Conch, the Merak grinding mill project and the project in Papua Barat in Indonesia, as well as the project in Kyaukse of Burma were in full swing. For the cement projects in North Sulawesi of Indonesia, Vientiane and Luang Prabang of Laos as well as Battambang of Cambodia, the relevant preliminary works made smooth progress.

Meanwhile, the Group continued to push ahead with the development of energy conservation and environmental protection in cement projects. The 10 residual heat electricity generation units located at Tongren Conch, Bazhong Conch and other companies had been put into operation with an additional installed capacity of 94.5MW. The Group continued to implement low-NOx staged combustion technology modification and SNCR flue gas denitration technology modification for clinker production lines. As at the end of the Reporting Period, the Group completed denitration technology modification to all its operating production lines, which were running smoothly. Detailed description of major measures taken by the Group to comply with the environmental protection policies and regulations, perform its environmental protection responsibility and enhance safety management can be found in the 2015 Social Responsibility Report of the Company, which will be published on the websites of the SSE, the Stock Exchange and the Company on the same day as this annual report is released.

(2) SALES MARKET OVERVIEW

In 2015, the Group realised an aggregate net sales volume of cement and clinker of 256 million tonnes, representing a year-on-year growth of 3%.

Markets and Sales by Region

Region	Sales Amount by Region					
	2015		2014		Changes in sales amount	Change in sales proportion (percentage points)
	Sales amount	Percentage	Sales amount	Percentage		
(RMB'000)	(%)	(RMB'000)	(%)	(%)		
Eastern China ^{Note 1}	14,100,865	28.36	18,794,531	31.87	-24.97	-3.51
Central China ^{Note 2}	14,281,637	28.72	16,053,244	27.23	-11.04	1.49
Southern China ^{Note 3}	8,916,144	17.93	10,831,632	18.37	-17.68	-0.44
Western China ^{Note 4}	10,533,770	21.18	11,789,818	19.99	-10.65	1.19
Overseas and export	1,896,302	3.81	1,495,310	2.54	-26.82	1.27
Total	49,728,718	100.00	58,964,535	100.00	-15.66	-

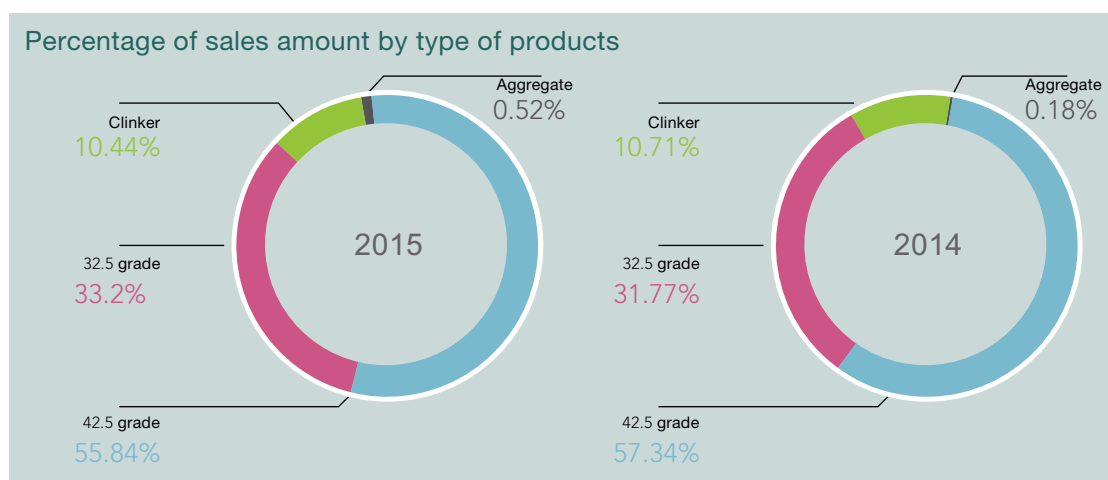
5. Management Discussion and Analysis

- Notes: 1. Eastern China mainly includes Jiangsu, Zhejiang, Shanghai and Fujian;
2. Central China mainly includes Anhui, Jiangxi and Hunan;
3. Southern China mainly includes Guangdong and Guangxi;
4. Western China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu and Shaanxi.

During the Reporting Period, due to the substantial decrease in product prices, sales revenue of the Group reduced by varying degrees between regions. However, with the mergers and acquisitions made by the Company and the release of production capacity of the new projects, which further reinforced the Group's market dominance and competitiveness in Central and Western China, the sales volume of cement and clinker increased by 5.51% and 5.79% respectively on a year-on-year basis. Meanwhile, with increased sales volume in the international cement market and the success of the Group's efforts in exploring the Indonesian market, the overseas and export sales volume increased by 51.74% on a year-on-year basis.

Sales by Type of Products

During the Reporting Period, the sales contribution of the 32.5-grade cement increased by 1.43 percentage points year-on-year to 33.2%; the sales contribution of the 42.5-grade cement decreased by 1.50 percentage points year-on-year to 55.84%, and the sales contribution of clinker decreased by 0.27 percentage point year-on-year to 10.44%. The Group also recorded sales revenue of aggregate in an amount of RMB258.21 million.



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

5. Management Discussion and Analysis

(3) PROFIT ANALYSIS

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

Item	Amount		Change from that of the corresponding period of last year (%)
	2015 (RMB'000)	2014 (RMB'000)	
Revenue from principal activities	49,728,718	58,964,535	-15.66
Profit from operations	8,666,508	13,823,479	-37.31
Profit before taxation	10,039,397	14,882,810	-32.54
Net profit attributable to equity shareholders of the Company	7,516,385	10,993,022	-31.63

During the Reporting Period, due to the substantial decrease in product prices, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year decrease of 37.31%, 32.54% and 31.63% respectively.

Gross profit margin by type of products in 2015 and its year-on-year change

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period last year (%)	Year-on-year change in gross profit margin (percentage points)
42.5-grade cement	27,772,315	20,235,230	27.14	33.48	-6.34
32.5-grade cement	16,508,092	11,351,321	31.24	36.89	-5.65
Clinker	5,190,106	4,035,878	22.24	32.60	-10.36
Aggregate and carpolite	258,205	139,569	45.95	51.16	-5.21
Total	49,728,718	35,761,998	28.09	34.50	-6.41

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

5. Management Discussion and Analysis

During the Reporting Period, affected by the substantial decrease in product prices, the consolidated gross profit margin recorded a year-on-year decrease of 6.41 percentage points to 28.09%, among which, the gross profit margins of the 42.5-grade cement, the 32.5-grade cement and the clinker decreased by 6.34 percentage points, 5.65 percentage points and 10.36 percentage points on a year-on-year basis respectively.

(4) ANALYSIS OF COSTS AND EXPENSES

Consolidated costs of cement and clinker in 2015 and their year-on-year changes

Item	2015		2014		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs	Percentage	Unit costs	Percentage		
	(RMB/tonne)	(%)	(RMB/tonne)	(%)		
Raw materials	24.32	17.51	30.62	19.79	-20.57	-2.28
Fuel and power	80.91	58.25	92.62	59.86	-12.64	-1.61
Depreciation expense	12.90	9.29	11.59	7.49	11.30	1.80
Labor cost and others	20.77	14.95	19.90	12.86	4.37	2.09
Total	138.90	100.00	154.73	100.00	-10.23	

During the Reporting Period, the consolidated costs of the Company decreased by 10.23% or RMB15.83/tonne year-on-year to RMB138.90/tonne, which was mainly due to the decline in coal price and further improvement in the key indicators such as consumption of coal and electricity.

5. Management Discussion and Analysis

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

Expenses for the period	2015 Amount (RMB'000)	2014 Amount (RMB'000)	As a percentage of revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the same period last year (%)	Change in percentage of revenue from principal activities (percentage points)
Selling expenses	3,105,094	2,936,835	6.24	4.98	1.26
Administrative expenses	3,177,596	2,679,858	6.39	4.54	1.85
Financial expenses (net)	569,501	714,489	1.15	1.21	-0.06
Total	6,852,191	6,331,182	13.78	10.73	3.05

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate as a percentage to revenue generated from principal activities was 13.78%, up by 3.05 percentage points as compared to the corresponding period of last year. The increase was mainly attributable to the decrease in revenue generated from principal activities as compared to the corresponding period of last year as a result of the decline in product prices.

5. Management Discussion and Analysis

(5) FINANCIAL POSITION

Asset and Liability Overview

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

Item	As at 31 December 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	Change as at the end of the Reporting Period compared to those as at the beginning of the year (%)
Fixed assets	61,695,521	57,250,500	7.76
Current and other assets	44,085,871	45,002,597	-2.04
Total assets	105,781,392	102,253,097	3.45
Current liabilities	20,402,162	14,397,009	41.71
Non-current liabilities	11,467,659	18,244,847	-37.15
Minority interests	3,419,683	3,394,633	0.74
Total equity attributable to shareholders of the Company	70,491,888	66,216,608	6.46
Total liabilities and equity	105,781,392	102,253,097	3.45

As at 31 December 2015, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB105,781.39 million and RMB31,869.82 million respectively, representing an increase of 3.45% and a decrease of 2.37% respectively as compared to those at the end of the previous year, while the current and non-current liabilities amounted to RMB20,402.16 million and RMB11,467.66 million respectively, representing an increase of 41.71% and a decrease of 37.15% respectively as compared to those at the end of the previous year, which was mainly due to the re-classification of certain outstanding corporate bonds to non-current liabilities due within one year according to the maturity dates of corporate bonds. As at 31 December 2015, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 30.13%, representing a decrease of 1.79 percentage points as compared to that at the end of the previous year.

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

5. Management Discussion and Analysis

As at 31 December 2015, total equity attributable to shareholders of the Company amounted to RMB70,491.89 million, representing an increase of 6.46% as compared to that at the end of the previous year. Net assets per share attributable to shareholders of the Company was RMB13.30, representing an increase of RMB0.80/share as compared to that at the end of the previous year.

As at 31 December 2015, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB26,206.38 million and RMB20,402.16 million respectively, with a current ratio of 1.28:1 (corresponding period last year: 1.74:1). The year-on-year decrease in current ratio was mainly due to the increase in long-term liabilities due within one year. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB26,426 million and RMB20,402.16 million respectively, with net gearing ratio of 0.11 (corresponding period last year: 0.11), which was stable. Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2015 is as follows:

	As at 31 December 2015 (RMB'000)	As at 31 December 2014 (RMB'000)
Due within 1 year	1,447,818	2,329,167
Due after 1 year but within 2 years	328,001	799,273
Due after 2 years but within 5 years	1,336,986	1,095,273
Due after 5 years	581,414	209,975
Total	3,694,219	4,433,688

As at 31 December 2015, the Group's aggregate bank borrowings were RMB3,694.22 million, representing a decrease of RMB739.47 million as compared to those at the beginning of the year. The decrease was mainly attributable to the repayment of certain bank loans during the Reporting Period.

5. Management Discussion and Analysis

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

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

Analysis of Cash Flow

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

	2015 (RMB'000)	2014 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	9,908,174	17,654,489	-43.9
Net cash flows generated from investment activities	-12,719,267	-4,851,114	-162.2
Net cash flows generated from financing activities	-5,395,324	-6,785,676	20.5
Effect of exchange rate movement on cash and cash equivalents	-20,670	-24,510	-15.7
Net (decrease)/increase in cash and cash equivalents	-8,227,087	5,993,189	-237.3
Balance of cash and cash equivalents at the beginning of the year	12,512,121	6,518,932	91.9
Balance of cash and cash equivalents at the end of the year	4,285,034	12,512,121	-65.8

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB9.908 billion, representing a decrease of RMB7.746 billion as compared to that of last year. Such decrease was mainly due to the decrease in the Group's revenue.

During the Reporting Period, the Group's net cash outflows from investment activities increased by RMB7.868 billion as compared to that of last year, mainly due to the increase in term deposits with a maturity of over three months by the Group.

During the Reporting Period, the Group's net cash outflows from financing activities decreased by RMB1.39 billion as compared to that of last year, primarily attributable to the decrease in the Group's repayment of borrowings due as compared to that of last year.

5. Management Discussion and Analysis

(6) CAPITAL EXPENDITURE

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB8.7 billion, which was primarily used in the investment in construction of cement and clinker production lines, the residual heat electricity generation projects and the aggregate projects as well as the expenditure in merger and acquisition of projects.

As at 31 December 2015, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 31 December 2015 (RMB'000)	As at 31 December 2014 (RMB'000)
Authorized and contracted for	2,071,104	2,416,216
Authorized but not contracted for	3,787,573	5,518,527
Total	5,858,677	7,934,743

5. Management Discussion and Analysis

(7) FINANCIAL ASSETS AND FINANCIAL LIABILITIES DENOMINATED IN FOREIGN CURRENCY

(Unit: RMB'000)

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
Of which:					
1. Cash balance	4,034,833	-	-	-	357,870
2. Financial assets at fair value through profit or loss	20,343	-20,343	-	-	-
Of which: derivative financial assets	20,343	-20,343	-	-	-
3. Loans and receivables	59,398	-	-	-	85,590
4. Available-for-sale financial assets	-	-	-	-	-
5. Investment held to maturity	-	-	-	-	-
Financial assets sub-total	4,114,574	-20,343	-	-	443,460
Financial liabilities					
Of which:					
1. Financial liabilities carried at amortised cost	306,482	-	-	-	845,127
2. Financial liabilities at fair value through profit or loss	1,473	4,920	-	-	6,393
Of which: derivative financial liabilities	1,473	4,920	-	-	6,393
Financial liabilities sub-total	307,955	4,920	-	-	851,520

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated, Rupiah-denominated and HK Dollar-denominated assets which included receivables and bank deposits, equivalent to RMB85.59 million and RMB357.87 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers, short-term borrowings and long-term borrowings, equivalent to RMB34.08 million, RMB129.87 million and RMB681.18 million respectively (please refer to note 8(4) to the financial statements prepared in accordance with the PRC Accounting Standards for details). For details on the translation policy for the foreign currency transactions and foreign currency statements, please refer to note 3.8 to the financial statements prepared in accordance with the PRC Accounting Standards.

5. Management Discussion and Analysis

(8) OUTLOOK FOR 2016

In 2016, the PRC government will continue to implement proactive fiscal policy and prudent monetary policy, so as to promote the stable and healthy development of the economy. A year-on-year GDP growth rate of 6.5% to 7% is anticipated. (Source: Government Work Report of 2016)

In 2016, continuous slowdown in the growth of fixed asset investments and property investments will yield growing imbalance between supply and demand in the cement industry. Especially in the first half of the year, market competition will be intensified. The industry is expected to run a bigger deficit, while high-cost and uncompetitive small and medium enterprises will be forced out of the market. Commencement of construction of infrastructure projects in the second half of the year is expected to accelerate, leading to an increase in cement demand. As to supply-side reform, the National Development and Reform Commission and Ministry of Industry and Information Technology of the PRC jointly promulgated the “Notice on Issues regarding the Implementation of Tiered Electricity Rate Policies for Cement Enterprises” (Fagaijiage [2016] No.75), pursuant to which tariffs will vary according to different electricity consumption by the cement enterprises. Such will significantly increase the electricity costs of enterprises with huge energy consumption, thereby accelerating the phase-out of backward production capacity. With the deepening of supply-side reform, more policies and measures are expected to be launched by the relevant authorities, with an aim to mitigate the imbalance between supply and demand in the cement industry and promote industrial restructuring and upgrade.

Seizing the favourite opportunities arising from the restructuring of the cement industry in the PRC and adhering to its established principles and standards, the Group will carry out mergers and acquisitions of projects, so as to further improve its domestic market network. Furthermore, the Group will accelerate the geographical coverage expansion of the aggregate business, so as to extend the industrial chain and facilitate sustainable development of the Company. Meanwhile, the Group will continue to proactively promote the implementation of its internationalization development strategy. Efforts will be made to push ahead with the construction of the Merak grinding mill project and the cements projects in Papua Barat in Indonesia, and cement projects in Kyaukse, Burma, with an aim to ensure commencement of production as scheduled. The Group will roll out marketing campaigns to create favourable conditions for product launch.

In 2016, the Group’s planned capital expenditure amounts to approximately RMB9.5 billion, which will be funded primarily by internal resources and supplemented by bank loans and mainly used in the construction of domestic projects and overseas projects and payment of the contracted M&A projects. It is expected that the clinker and cement production capacity will increase by approximately 14.6 million tonnes and 26 million tonnes respectively for the full year.

5. Management Discussion and Analysis

In respect of operation management, the Group will closely monitor changes in the domestic and overseas business environment, and will study and assess the market conditions more closely and adopt the strategy of “one policy for one region and one policy for one plant”, so as to consolidate and expand its market share. Meanwhile, the Group will continue to strengthen benchmark management and leverage the changes in the market conditions of bulk raw materials and fuels such as coal, to lower costs and increase efficiency, with an aim to reinforce the market competitiveness of its products. The Group will accelerate the grooming of talents, so as to secure the human resources required for the Company’s full implementation of its internationalization strategy. The Group plans to increase the net sales volume of cement and clinker by approximately 10% year on year. It is expected that the cost and expense of products per tonne will decrease as compared to that of last year.

In 2016, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is highly dependent on the construction industry and closely related to the growth rate of the national economy. It is especially closely related to the growth rate of fixed asset investments, and is susceptible to the cyclical changes in the macro-economy. Therefore, the cyclical volatility in the macro economy and adjustment of the macro-economic policy will have relatively large impact on the operation and development of the cement industry due to their influence on fixed asset investments. With the PRC economy entering a “new normal” phase, the growth in fixed asset investments will further slow down, which would have direct impact on the market demand for and market price of building material products, thereby adversely affecting the Company’s realization of its annual operating targets.

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



5. Management Discussion and Analysis

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

In order to address the above-mentioned risks, the Company will continue to explore strategic cooperation with large-scale domestic coal corporations, expand coal procurement channels and take advantage of bulk procurement to secure coal needed for production at a reasonable price. In the meantime, the Group will enhance cooperation with major energy power companies in direct purchase of electricity, so as to reduce electricity costs.

3. The Ministry of Environmental Protection of the PRC issued a new "Emission Standard of Air Pollutants for Cement Industry" in 2013, which imposes more stringent requirements in respect of dust discharge standard and NO_x emission limit for the cement industry. With the implementation of the new standard since 1 July 2015, the operation costs of the cement enterprises increased. Given the increasing emphasis attached to the natural environment by the whole society, the investment costs in environmental protection incurred by the enterprises will gradually increase, thereby further imposing greater burden on the cement enterprises.

To address the above risks, the Group completed SNCR flue gas denitration technology modification or low-NO_x staged combustion technology modification to all of its production lines. Meanwhile, by conducting technical upgrade and renovation on the electric dust collection equipment, as well as enhancing sophisticated day-to-day management, and operation and maintenance, all the cement production lines of the Group were in compliance with the discharge standard. Stringent enforcement of national policies and regulations in respect of environmental protection will help speed up the elimination of backward production capacity and facilitate the restructuring of the cement industry. All these will enable the Group to further leverage and benefit from its competitive edge.

6. Significant Events

(1) COMMITMENTS

1. Commitment by shareholders:

- (1) In 2007, the Company issued A Shares to Conch Venture as consideration for the purchase of the relevant assets of Conch Venture. Conch Venture has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: Except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), Conch Venture will forgo its other shareholder's rights of the Company such as rights to vote, nominate and elect Directors/Supervisors of the Company, so long as it holds the Company's shares. During the Reporting Period, Conch Venture has complied with the above undertakings.
- (2) Conch Holdings has made the following undertakings on 13 July 2015: Conch Holdings would not sell any share it held in the Company within 6 months from the date of such undertakings made. Moreover, in the coming 6 months, if there is irrational abnormal fluctuation in the Company's share price, Conch Holdings would, subject to the market conditions, acquire the shares of the Company in the manner permitted by the SSE at suitable times, provided that the shares acquired shall not be more than 2% of the total share capital of the Company. In this connection, Conch Holdings also undertook that it would not sell any share it held in the Company whilst implementing the plan on increasing shareholding and within the statutory period. During the Reporting Period, Conch Holdings did not sell nor acquire any share of the Company.

2. Commitment by the Directors, Supervisors and senior management of the Company: Any of them would not sell any share he or she held in the Company within 6 months from 13 July 2015. All the Directors, Supervisors and senior management members have complied with the above undertakings during the Reporting Period.

(2) APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSE

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

6. Significant Events

(3) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the annual general meeting for year 2014, the Company engaged KPMG Huazhen LLP and KPMG (collectively “KPMG”) as the PRC auditors and the international auditors of the Company for the year ended 31 December 2015, respectively, and engaged KPMG Huazhen LLP as the internal control auditor of the Company for the year of 2015. The financial audit and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2015 amounted to RMB4.4 million and RMB0.6 million respectively, totaling RMB5 million. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for field audit.

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

(4) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

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

(5) MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation and arbitration.

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

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

(7) STOCK OPTION INCENTIVE SCHEME

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

6. Significant Events

(8) MATERIAL CONNECTED (OR RELATED PARTY) TRANSACTIONS

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

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

(1) Use of trademarks

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

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

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

On 23 January 2015, as approved by the Board, the Company and Sanshan Port entered into a naphtha supply contract, pursuant to which Sanshan Port will supply to the Company’s subsidiaries located in Anhui Province with diesel oil needed for production, with the purchase price of no more than RMB185 million and the validity period from the date of the contract to 31 December 2015.

6. Significant Events

Under the SSE Listing Rules and the relevant regulations of CSRC, as Conch Venture holds 5.41% of the Company's shares, it is regarded as a connected person of the Group, and as Sanshan Port is a majority-owned subsidiary of Conch Venture and thus a person acting in concert with Conch Venture, Sanshan Port is also regarded as a connected person of the Group. The above transaction constituted a connected transaction under the SSE Listing Rules. In accordance with the HKSE Listing Rules, Sanshan Port is not regarded as a connected person of the Group, thus the above transaction did not constitute a connected transaction under the HKSE Listing Rules.

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

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

During the Reporting Period, the Group procured diesel oil from Sanshan Port for an amount of RMB127.56 million.

(3) Transaction with Haichang Port – coal transfer services

On 23 January 2015, as approved by the Board, Shanghai Conch Logistic Co., Ltd. (a wholly-owned subsidiary of the Company) and Haichang Port entered into a port operation contract, pursuant to which Haichang Port will provide coal transfer services to the subsidiaries of the Company located along the Yangtze River, with the contract sum of RMB70 million and the validity period from the date of the contract to 31 December 2015.

6. Significant Events

Under the SSE Listing Rules, as Mr. Guo Jingbin (a non-executive Director of the Company) serves as the chairman of CCVH and Ms. Zhang Mingjing (an executive Director of the Company) serves as a non-executive director of CCVH, therefore CCVH is regarded as a connected person of the Group. As Haichang Port is a majority-owned subsidiary of CCVH and thus a person acting in concert with CCVH, Haichang Port is also regarded as a connected person of the Group. Accordingly, the above transaction constituted a connected transaction. In accordance with the HKSE Listing Rules, Haichang Port is not regarded as a connected person of the Group, so the above transaction did not constitute a connected transaction.

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

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

During the Reporting Period, the Group has taken the coal transfer services of Haichang Port for an amount of RMB56.17 million.

(4) Transaction with Haichang Port – sale of aggregate

On 23 January 2015, as approved by the Board, Tongling Conch (a wholly-owned subsidiary of the Company) and Haichang Port entered into an aggregate sale and purchase contract, with a contract sum of no more than RMB3.9 million and a validity period commencing from the date of the contract and expiring on 31 December 2015.

The price was determined mainly with reference to the prevailing market prices and adjusted in line with the market price fluctuations, with reference to the selling prices and policies for sale of aggregate of similar specification offered to the independent third-party customers in the same region by Tongling Conch in the same period. Payment would be advanced prior to delivery.

6. Significant Events

During the Reporting Period, for the performance of the above mentioned aggregate sale and purchase contract, the transaction amount paid by Haichang Port to the Group amounted to RMB0.1269 million.

(5) Transaction with CV Green and Bozhou CV Green – sale of cement

On 23 January 2015, as approved by the Board, Baimashan Cement Plant, a branch company of the Company, and Anhui Conch Venture New Energy-saving Building Material Co., Ltd. (“CV Green”) entered into a cement sale and purchase contract. On the same day, Bozhou Conch Cement Co., Ltd. (“Bozhou Conch”) and Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. (“Bozhou CV Green”) entered into a cement sale and purchase contract, with an aggregate contract sum of no more than RMB28.60 million and the validity period of each contract commencing from the date of the respective contract and expiring on 31 December 2015.

Under the SSE Listing Rules, as Mr. Guo Jingbin (a non-executive Director of the Company) serves as the chairman of CCVH and Ms. Zhang Mingjing (an executive Director of the Company) serves as a non-executive director of CCVH, therefore CCVH is regarded as a connected person of the Group. As CV Green and Bozhou CV Green are both wholly-owned subsidiaries of CCVH and thus persons acting in concert with CCVH, CV Green and Bozhou CV Green are also regarded as connected persons of the Group. Accordingly, the above transactions constituted connected transactions. In accordance with the HKSE Listing Rules, CV Green and Bozhou CV Green are not regarded as connected persons of the Group, so the above transactions did not constitute connected transactions.

The price in respect to the transaction was determined mainly with reference to the prevailing market prices and adjusted in line with the market price fluctuations, with reference to the selling prices and policies for cement products of similar specification offered by Baimashan Cement Plant and Bozhou Conch to the independent third-party customers in the same region in the same period. Payment would be advanced prior to delivery.

During the Reporting Period, for the performance of the two above mentioned cement sale and purchase contracts, the transaction amount paid by CV Green and Bozhou CV Green to the Group amounted to RMB2.8521 million in total.

6. Significant Events

(6) Maintenance of anti-wearing parts of equipments and procurement of spare parts

On 23 January 2015, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a contract on maintenance of anti-wearing parts and procurement of spare parts, pursuant to which Conch Kawasaki Energy Conservation would provide maintenance services such as surfacing welding on the anti-wearing parts of main units of cement and clinker production lines for the subsidiaries of the Company, and the Company would procure milling equipments, boilers and other equipments as necessary from Conch Kawasaki Energy Conservation. The total contract sum was RMB130 million.

Under the SSE Listing Rules, as Mr. Guo Jingbin (a non-executive Director of the Company) serves as the chairman of CCVH, Ms. Zhang Mingjing (an executive Director of the Company) serves as a non-executive director of CCVH, and Conch Kawasaki Energy Conservation is a majority-owned subsidiary of CCVH, therefore Conch Kawasaki Energy Conservation is regarded as a connected person of the Group, accordingly its transaction with the Group constituted a connected transaction. In accordance with the HKSE Listing Rules, Conch Kawasaki Energy Conservation is not regarded as a connected person of the Group, so the above transaction did not constitute a connected transaction.

As stipulated in the aforesaid contract, the maintenance cost (including surfacing welding) of anti-wearing parts was determined through negotiations between the parties mainly based on costs (including welding wire, ancillary materials, utilities, replacement of parts, etc) and prevailing market prices; the cost of spare parts was determined through negotiations between the parties with reference to the prevailing market prices and at certain discounts to the Group, provided that the aforesaid service and spare parts costs shall not be higher than those offered by Conch Kawasaki Energy Conservation to other independent third-party customers.

During the Reporting Period, for the performance of the above mentioned contract on maintenance of anti-wearing parts and procurement of spare parts, the transaction amount paid by the Group to Conch Kawasaki Energy Conservation amounted to RMB55.49 million.

6. Significant Events

For further details regarding the connected transactions as set out in items (2) to (6) above, please refer to the Company's announcement dated 23 January 2015 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 24 January 2015 and published on the SSE website, Shanghai Securities Journal and Securities Times. The continuing connected transactions as set out in items (2) to (6) above are not subject to the independent shareholders' approval requirements.

2. Residual heat electricity generation projects

On 21 May 2015, as approved by the Board, the Company and Conch Kawasaki Engineering entered into a contract of equipment supply and design for residual heat electricity generation projects, pursuant to which Conch Kawasaki Engineering had agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects to the subsidiaries of the Company. On the same day, Kalimantan Conch and Conch Kawasaki Engineering entered into a contract of equipment supply and design for coal-fired power plant projects, pursuant to which Conch Kawasaki Engineering had agreed to provide equipment supply and design services for the coal-fired power plant projects to Kalimantan Conch. The aggregate contract sum of the two contracts amounted to RMB258.35 million.

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

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

6. Significant Events

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

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the Group had paid the relevant equipment price and design fee totaling RMB74.398 million to Conch Kawasaki Engineering. If taking into account the amount incurred in connection with the performance of other similar contracts entered into in previous years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB111.15 million.

For further details, please refer to the Company's announcement dated 21 May 2015 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 22 May 2015 and published on the SSE website, Shanghai Securities Journal and Securities Times. Such connected transactions are not subject to the independent shareholders' approval requirements.

3. Purchase of milling equipment

On 21 May 2015, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a sale and purchase contract on milling equipment, pursuant to which the Company agreed to purchase 5 sets of milling equipments from Conch Kawasaki Energy Conservation, which would be installed at the cement and clinker production lines of the subsidiaries of the Company. The total contract sum was RMB92.45 million.

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

6. Significant Events

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

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

During the Reporting Period, for the performance of the above-mentioned sales and purchase contract on milling equipment (and only such contract), the Group had paid the relevant equipment price to Conch Kawasaki Energy Conservation totaling RMB92.45 million. If taking into account the amount incurred in connection with the performance of other similar contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation during the Reporting Period amounted to RMB123.27 million.

For further details, please refer to the Company's announcement dated 21 May 2015 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 22 May 2015 and published on the SSE website, Shanghai Securities Journal and Securities Times. Such connected transactions are not subject to the independent shareholders' approval requirements.

6. Significant Events

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

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

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

(9) MATERIAL CONTRACTS

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

6. Significant Events

2. Guarantees

During the Reporting Period, all the guarantees provided by the Company had been approved by the Board of the Company. During the Reporting Period, the guarantees provided by the Company amounted to RMB2,723.73 million, all being guarantees for collateral liabilities, the details of which are as follows:

No.	Guaranteed company	Shareholding proportion of the Company	Amount Guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
1	Guiding Conch	50%	25,000	one year	2015.4.8	working capital	Agricultural Bank of China, Guiding Branch
2	Guiding Conch	50%	25,000	one year	2015.7.10	working capital	Agricultural Bank of China, Guiding Branch
3	Guiding Conch	50%	25,000	one year	2015.7.21	working capital	Agricultural Bank of China, Guiding Branch
4	Guiding Conch	50%	25,000	one year	2015.10.30	working capital	Agricultural Bank of China, Guiding Branch
5	Guiyang Conch	50%	50,000	one year	2015.12.29	working capital	Bank of China, Guiyang Branch
6	Tongren Conch	51%	51,000	one year	2015.12.28	working capital	Bank of China, Tongren Branch
7	Liukuangruian	51%	150,000	one year	2015.5.21	working capital	Agricultural Bank of China, Liuzhi Branch
8	Liukuangruian	51%	100,000	one year	2015.12.9	working capital	Bank of China, Liuzhi Branch
9	Qianxinan Resource Development Co., Ltd. ("Qianxinan")	51%	25,500	one year	2015.12.15	working capital	Bank of China, Xingyi Branch
10	Kalimantan Conch	71.25%	US\$20 million (129,870)	six months	2015.9.17	working capital	Bank of America, Jakarta Branch
11	Indonesia Conch	75%	US\$50 million (324,680)	three years	2015.11.16	working capital	Industrial and Commercial Bank of China, European Branch
12	Indonesia Conch	75%	US\$48.5 million (314,940)	two years	2015.11.16	working capital	Sumitomo Mitsui Banking Corporation, Jakarta Branch
13	Conch International (HK)	100%	300,000	three years	2015.12.9	working capital	Export-Import Bank of China
14	Sdic Papua Cement	49%	US\$115.15 million (747,740)	ten years	2015.06.03	project construction investments	Bank of China, Jakarta Branch
15	Sino-Myanmar (Wuhu) International Trading Co., Ltd.	45%	430,000	one year	2015.11.23	working capital	Bank of China, Wuhu Branch
Total			2,723,730	-	-	-	-

6. Significant Events

Notes:

- (1) The Company provided guarantees for loans granted to Guiding Conch, Guiyang Conch, Tongren Conch, Qianxinan and Sdic Papua Cement on a pro rata basis in accordance with its shareholding proportion.
- (2) The Company provided full guarantee for loans granted to Liukuangruian, Liuzhi Gongkuang (Group) Co., Ltd. (a shareholder holding 49% equity interests in Liukuangruian) provided equity pledge. The Company provided full guarantee for loans granted to Sino-Myanmar (Wuhu) International Trading Co., Ltd., Gao Sheng Group Pte. Ltd. (a shareholder holding 55% equity interests in the Sino-Myanmar company) provided equity pledge.
- (3) The Company provided full guarantee for the loans of Kalimantan Conch in an amount of US\$20 million and the loans of Indonesia Conch in an amount of US\$50 million and US\$48.5 million respectively, and Changxing Materials (International) Co., Ltd. (a shareholder holding 25% interests in Indonesia Conch and a total of 28.75% interests in Kalimantan Conch) provided counter-guarantee to the Company for these loans on a pro rata basis in accordance with its shareholding proportion. The RMB-denominated guarantee provided by the Company for the US Dollar loans of Kalimantan Conch, Indonesia Conch and Sdic Papua Cement was translated at the exchange rate of the US Dollar against Renminbi on 31 December 2015.

During the Reporting Period, the guarantees provided by the Company for the joint ventures of the Company (i.e. Sdic Papua Cement and Sino-Myanmar (Wuhu) International Trading Co., Ltd. as shown in the above table) amounted to RMB1,177.74 million. Save as disclosed above, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals. As at the end of the Reporting Period, the balance of the external guarantees provided by the Company (excluding those provided for its subsidiaries) amounted to RMB1,177.74 million.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB1,545.99 million, which included the guarantees for the bank loans as set out in the table above and the guarantees for the trade finance facilities granted to Shanghai International Trading in an amount of RMB370 million. As at the end of the Reporting Period, the balance of the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB4,104.13 million.

At the end of the Reporting Period, the balance of the external guarantees provided by the Company (included those provided for its subsidiaries) amounted to RMB3,602.30 million and US\$258.65 million (in total equivalent to RMB5,281.87 million, of which the USD-denominated guarantee balance was translated at the exchange rate of the US Dollar against Renminbi on 31 December 2015), representing 7.63% of the net assets of the Company, which did not exceed the limit of 50%.

6. Significant Events

During the Reporting Period, the guarantees provided by the Company for its majority-owned subsidiaries with a gearing ratio of over 70% (i.e. Kalimantan Conch, Indonesia Conch and Conch International (HK) listed in the above table) was RMB1,069.49 million, all of which had been approved at the general meeting.

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals.

The ten-year borrowing of RMB650 million granted by International Finance Corporation which was guaranteed by the Company with security of the assets of Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd. (being branch company of the Company) was due and repaid during the Reporting Period, and the pledge on the related asset has been released.

As at 31 December 2015, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

(10) FINANCIAL ENTRUSTMENT

During the Reporting Period, there were no financial entrustment activities, nor there subsisted any financial entrustments which were extended from the previous periods.

(11) PERFORMANCE OF SOCIAL RESPONSIBILITY

The Company has prepared the 《2015 Social Responsibility Report》, which will be published on the websites of the SSE, the Stock Exchange and the Company concurrently with this annual report.

7. Changes in Shares and Shareholders

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

(Unit: Share)

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

(2) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2015

	A Share/RMB	H Share/HK\$
Opening price on the first trading day of the year	22.50	28.49
Closing price on the last trading day of the year	17.10	20.85
Highest trading price during the year	28.75	33.35
Lowest trading price during the year	15.30	20.20

(3) SHAREHOLDERS

- As at 31 December 2015, the total number of registered shareholders was 102,318, of which 119 were registered holders of H Shares. As at 29 February 2016, the total number of registered shareholders was 103,099, of which 128 were registered holders of H Shares.

7. Changes in Shares and Shareholders

2. As at 31 December 2015, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1	Conch Holdings ^(Note 2)	State-owned legal person	1,948,869,927	36.78	A Share
2	HKSCC Nominees Limited ^(Note 3)	Foreign legal person	1,298,056,390	24.49	H Share
3	Conch Venture ^(Note 4)	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4	China Securities Finance Corporation Limited	State-owned legal person	118,164,428	2.23	A Share
5	Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	State-owned legal person	70,249,600	1.33	A Share
6	Hong Kong Securities Clearing Company Limited	Foreign legal person	66,700,137	1.26	A Share
7	Genesis Asset Managers, LLP – Customer Funds	Others	52,359,287	0.99	A Share
8	FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	21,994,878	0.42	A Share
9.1	Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.2	Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.3	Zhongou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.4	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.5	China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share

7. Changes in Shares and Shareholders

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
9.6	E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.7	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.8	ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.9	ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
9.10	GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	Unknown	21,963,000	0.41	A Share
10	National Social Security Fund 108 Package	Others	19,999,945	0.38	A Share

Notes:

- (1) All the above shares are floating shares not subject to trading restrictions.
- (2) As at 31 December 2015, a total of 1,948,869,927 A Shares of the Company were held by Conch Holdings, and a total of 286,713,246 A Shares of the Company were held by Conch Venture, with no change in the number of shares of the Company held by each of Conch Holdings and Conch Venture during the Reporting Period.
- (3) As at 31 December 2015, HKSCC Nominees Limited held 1,298,056,390 H Shares of the Company, representing 24.49% of the total share capital of the Company, and 99.88% of the total number of H Shares issued by the Company.
- (4) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship under the SSE Listing Rules. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.
- (5) The Company is not aware of any pledge or moratorium of shares held by its shareholders holding more than 5% of the issued share capital of the Company.

7. Changes in Shares and Shareholders

3. As at 31 December 2015, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,948,869,927 A Shares (long position)	Beneficial owner/ Interest of a controlled corporation	48.73% (Note 2)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
CCVH	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
Conch Venture	298,447,816 A Shares (long position) (Note 1)	Interest of a controlled corporation/ Beneficial owner	7.46% (Note 2)
JPMorgan Chase & Co.	141,732,858 H Shares (long position) (Note 4)	Beneficial owner/ Investment manager/ Trustee/Custodian	10.90% (Note 3)
JPMorgan Chase & Co.	2,422,068 H Shares (short position) (Note 4)	Beneficial owner	0.18% (Note 3)
Genesis Asset Managers, LLP	116,804,686 H Shares (long position)	Investment manager	8.99% (Note 3)

7. Changes in Shares and Shareholders

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 5)	Interest of a controlled corporation	8.97% (Note 3)
BlackRock, Inc.	90,683,798 H Shares (long position) (Note 6)	Interest of a controlled corporation	6.98% (Note 3)
BlackRock, Inc.	144,000 H Shares (short position) (Note 6)	Interest of a controlled corporation	0.01% (Note 3)
Investec Asset Management Limited	77,303,500 H Shares (long position)	Investment manager	5.95% (Note 3)

Notes:

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

Among the 298,447,816 A Shares held by Conch Venture, 286,713,246 Shares were held by Conch Venture as beneficial owner and 11,734,570 Shares were held in the name of Conch Property (a wholly-owned subsidiary of Conch Venture).

- (2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.
- (3) The total number of H Shares in issue was 1,299,600,000 shares.

7. Changes in Shares and Shareholders

- (4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 30 December 2015 in respect of the relevant event that occurred on 28 December 2015, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 141,732,858 H Shares (long position), 39,024,294 Shares were held in the capacity of beneficial owner; 28,873,805 Shares in the capacity of investment manager; 2,285 Shares (securities in lending pool) in the capacity of trustee; and 73,832,474 Shares (securities in lending pool) in the capacity of custodian.
- (5) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.
- (6) Based on the disclosure of interests form submitted by BlackRock, Inc. on 5 January 2016 in respect of the relevant event that occurred on 31 December 2015, these shares were held through certain subsidiaries of BlackRock, Inc..

Save for the aforesaid shareholders, as at 31 December 2015, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

4. Information on the controlling shareholder of the Company

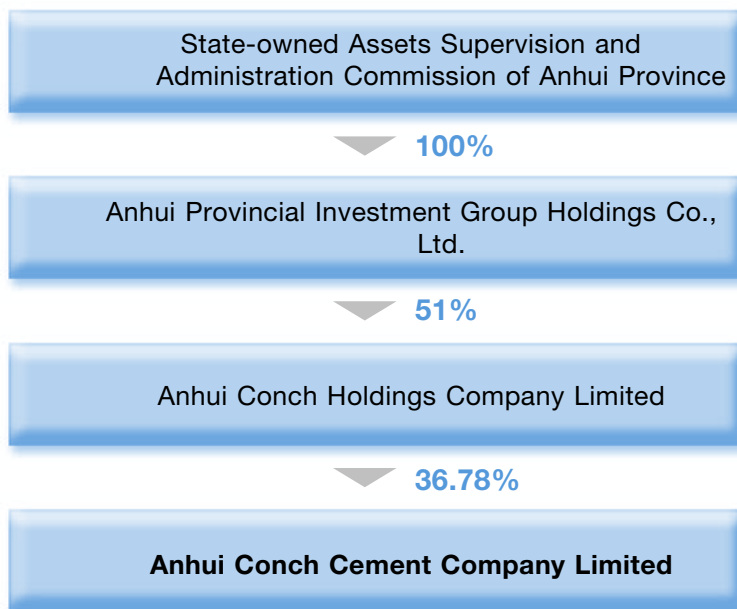
Name in English	: Anhui Conch Holdings Co., Ltd.
Legal representative	: Gao Dengbang
Date of establishment	: 8 November 1996
Registered capital	: RMB800 million
Principal business activities	: Asset operation, investment, financing, property transactions, construction materials, chemical and industrial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

As at the end of the Reporting Period, Conch Holdings was also the controlling shareholder of Wuhu Conch Profiles and Science Co., Ltd. (a company listed on the Shenzhen Stock Exchange) with an equity shareholding of 32.07%. During the Reporting Period, there was no change in the controlling shareholder of the Company.

7. Changes in Shares and Shareholders

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

Anhui Provincial Investment Group is a state-owned company solely owned by the State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2015, the shareholding relationship structure between Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:



6. Public float

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

(5) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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



7. Changes in Shares and Shareholders

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

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

(7) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2015, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2015, the Group had no redeemable securities.

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

For the year ended 31 December 2015, holders of the Company's listed securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.



On his visit to Conch Holdings on 9 September 2015, Li Jinbin, the governor of People's Government of Anhui Province, encouraged Conch to develop into an international leading and outstanding enterprise.

In 2015, seizing the strategic development opportunities arising from the strategy of “One Belt and One Road” advocated by the PRC government, and leveraging on its edges in management, technology and talent reserve, the Company stepped efforts in accelerating the implementation of its development strategy of internationalization, and has taken proactive and prudent measures to promote development of the overseas projects. The phase-one project of Kalimantan Conch achieved balance between production and sales with improved profitability, and the phase-two project rolled out the comprehensive installation phase. Construction of the Merak grinding mill project and the project in Papua Barat in Indonesia, as well as the project in Kyaukse of Burma made smooth progress. The preliminary preparation works for the cement projects in North Sulawesi of Indonesia, Vientiane and Luang Prabang of Laos as well as Battambang of Cambodia were underway. In addition, the Company also carried out inspection and research for the relevant projects in Russia.





The cement and clinker production line with a capacity of 5,000t/d of Myanmar Conch has been put into operation.



The project in Papua Barat rolled out the comprehensive installation phase and the ro-ro terminal has been put into use.



Construction of the terminal for the project in Merak has commenced.



The phase-one project of Kalimantan Conch achieved balance between production and sales.



General view of the production line in Kalimantan Conch

8. Directors, Supervisors, Senior Management and Staff

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

Existing Directors, Supervisors and Senior Management

Name	Position	Sex	Date of birth	Tenure
Wang Jianchao	Deputy Chairman	Male	July 1964	21 August 2015 to 27 May 2016
Wong Kun Kau	Independent non-executive Director	Male	November 1960	28 May 2013 to 27 May 2016
Tai Kwok Leung	Independent non-executive Director	Male	December 1957	28 May 2013 to 27 May 2016
Zhao Jianguang	Independent non-executive Director	Male	July 1965	10 March 2015 to 27 May 2016
Guo Jingbin	Non-executive Director	Male	January 1958	20 June 2014 to 27 May 2016
Zhang Mingjing	Executive Director	Female	September 1962	28 May 2013 to 27 May 2016
Zhou Bo	Executive Director and chief accountant	Male	January 1976	28 May 2013 to 27 May 2016
Qi Shengli	Chairman of Supervisory Committee	Male	September 1965	2 June, 2015 to 27 May, 2016
Wang Pengfei	Supervisor	Male	August 1962	2 June, 2015 to 27 May, 2016
Wang Chunjian	Staff representative Supervisor	Male	August 1969	23 March, 2015 to 27 May, 2016
Wu Bin	General manager	Male	January 1965	Appointed on 21 August, 2015
Li Qunfeng	Deputy general manager	Male	September 1971	Appointed on 23 March, 2015
Li Xiaobo	Deputy general manager	Male	March 1970	Appointed on 23 March, 2015
Ding Feng	Deputy general manager	Male	December 1972	Appointed on 23 March, 2015
Li Leyi	Chief engineer of technical art	Male	December 1962	Appointed on 26 March, 2012
Ke Qiubi	Assistant to general manager	Male	September 1963	Appointed on 26 March, 2012
Chen Yongbo	Assistant to general manager	Male	July 1965	Appointed on 20 August, 2014
Xia Xiaoping	Deputy chief accountant	Male	March 1958	Appointed on 22 March, 2013
Yang Kaifa	Secretary to the Board	Male	February 1974	Appointed on 28 March, 2011
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	January 1963	Appointed on 29 August, 2000

8. Directors, Supervisors, Senior Management and Staff

Resigning Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Sex	Date of birth	Date of resignation
Guo Wensan	Chairman and executive Director	Male	September 1955	4 December, 2015
Fang Junwen	Independent non-executive Director	Male	April 1950	7 January, 2015
Wang Jun	Chairman of Supervisory Committee	Male	February 1957	2 June, 2015
Zhu Yuming	Supervisor	Male	December 1947	2 June, 2015
Ding Feng	Staff representative Supervisor	Male	December 1972	23 March, 2015
Wang Jianchao	General manager	Male	July 1964	21 August, 2015

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

Name	Position	Number of shares held as at 31 December 2014 (share)	Number of shares sold during the Reporting Period (share)	Number of shares held as at 31 December 2015 (share)
Li Xiaobo	Deputy general manager	193,000	-	193,000
Ke Qiubi	Assistant to general manager	504,445	-	504,445
Chen Yongbo	Assistant to general manager	15,000	3,000	12,000
Xia Xiaoping	Deputy chief accountant	115,000	-	115,000

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

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

Name	Position held in Conch Holdings	Tenure
Wang Jianchao	Director and deputy general manager	From May 2013 to present
Guo Jingbin	Director	From January 1997 to present
Qi Shengli	Deputy general manager	From March 2010 to present
	Director	From May 2013 to present
Wang Pengfei	Deputy general manager	From May 2013 to present
Wang Chunjian	Director of the organization and human resource department	From September 2015 to present
Ding Feng	Assistant to general manager	From May 2012 to present

8. Directors, Supervisors, Senior Management and Staff

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

Name	Position held in other entities
Guo Jingbin	<ul style="list-style-type: none"> ① Executive Director and Chairman of CCVH ② Chairman of CV International ③ Chairman of CV HK ④ Director of CV Green ⑤ Director of Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ⑥ Chairman of Wuhu Conch Investment Co., Ltd. ⑦ Chairman of Yuping CV Environmental Technology Co., Ltd. (玉屏海創環境科技有限責任公司) ⑧ Chairman of Xishui CV Environmental Engineering Co., Ltd. (習水海創環境工程有限責任公司)
Zhang Mingjing	<ul style="list-style-type: none"> ① Non-executive Director of CCVH ② Director and general manager of Conch Venture
Qi Shengli	Chairman of Conch Profiles and Science
Wang Pengfei	<ul style="list-style-type: none"> ① Director of Conch Profiles and Science ② Chairman of Wuhu Conch International Hotel Co., Ltd.
Xia Xiaoping	Supervisor of Qingsong Building Materials and Chemicals
Li Qunfeng	Director of Qingsong Building Materials and Chemicals
Yang Kaifa	Deputy general manager of Conch Venture

8. Directors, Supervisors, Senior Management and Staff

BIOGRAPHY OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

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

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



8. Directors, Supervisors, Senior Management and Staff

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. **Wong Kun Kau**, an independent non-executive Director of the Company. Mr. Wong received a bachelor's degree in social science from the University of Hong Kong. Mr. Wong was previously the Head of Investment Banking (Asia) for BNP Paribas Capital (Asia Pacific) Limited. He has approximately 30 years of experience in fund management, securities brokerage and corporate financing. He is the founder and currently the managing partner of Bull Capital Partners (Hong Kong) Ltd (a direct investment fund management company). Mr. Wong is an independent non-executive director of WCC (a company listed on the HKSE since August 2010), Lifestyle Properties Development Limited (a company listed on the HKSE since September 2013), China Shengmu Organic Milk Limited (a company listed on the HKSE since July 2014) and REF Holdings Limited (a company listed on the HKSE since September 2015), and Mr. Wong was a non-executive director of Sun King Power Electronics Group Limited (a company listed on the HKSE since October 2010).



8. Directors, Supervisors, Senior Management and Staff

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

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

SUPERVISORS

Mr. **Qi Shengli**, chairman of the Supervisory Committee of the Company, senior economist. Mr. Qi graduated from Wuhan Industrial University and joined the Group in 1989. He has held various positions such as deputy head of personnel department of Ningguo Cement Plant, deputy head and head of organization and propaganda department of Conch Holdings, head of personnel department, assistant to general manager, deputy general manager and executive Director of the Company.

Mr. **Wang Pengfei**, a Supervisor. Mr. Wang graduated from Sichuan Jiangyou Technical School and joined the Group in 1984. He held positions such as deputy plant manager of Ningguo Cement Plant, chairman of Zongyang Conch, chairman of Huaining Conch, chairman of Digang Conch, chairman of Wuhu Conch and deputy general manager of the Company.

Mr. **Wang Chunjian**, a staff representative Supervisor of the Company. Mr. Wang graduated from Anhui Technical School of Building Materials and joined the Group in 1989. He held positions such as operator of Ningguo Cement Plant, deputy head of sales department of Tongling Conch, general manager of Bengbu Conch, general manager of Ningbo Conch, officer-in-charge of the Regional Committee in Zhejiang, officer-in-charge of the Regional Committee in Guangdong and head of human resources department of the Company.

8. Directors, Supervisors, Senior Management and Staff

SENIOR MANAGEMENT

Mr. **Wu Bin**, general manager of the Company and senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1983. Mr. Wu held various leading positions such as deputy head of sales department of Baimashan Cement Plant, deputy director and director of sales department of the Company, officer-in-charge of the Regional Committee in Guangxi, officer-in-charge of the Regional Committee in northern Anhui, and assistant to general manager and deputy general manager of the Company. Mr. Wu has extensive management experience in company management and sales marketing.

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

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

Mr. **Ding Feng**, deputy general manager of the Company, intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the deputy head of finance department of Tongling Conch, financial controller of Zongyang Conch, deputy head of finance department of the Company and the officer-in-charge of the Regional Committee in Jiangxi and Guizhou. He has relatively extensive experience in finance management, corporate management and the merger and acquisition of projects.

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

8. Directors, Supervisors, Senior Management and Staff

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

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

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

SECRETARY TO THE BOARD (COMPANY SECRETARY)

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

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

8. Directors, Supervisors, Senior Management and Staff

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

Mr. Fang Junwen ceased to be the independent non-executive Director of the Company, whose resignation was effective from 7 January 2015. As approved at the first extraordinary general meeting 2015 of the Company held on 10 March 2015, Mr. Zhao Jianguang was appointed as an independent non-executive Director of the sixth session of the Board, whose appointment became effective from 10 March 2015 and shall remain effective until the expiry day of the tenure of the sixth session of the Board (expected to be 27 May 2016).

On 21 August 2015, Mr. Wang Jianchao was unanimously elected as deputy chairman of the Company at the sixth meeting of the sixth session of the Board of the Company. On the same day, Mr. Wang Jianchao resigned as general manager of the Company. As recommended by the Remuneration and Nomination Committee of the Board, the Board appointed Mr. Wu Bin as general manager of the Company.

Mr. Guo Wensan submitted a written resignation to the Board on 4 December 2015 to the effect that he would resign from the positions as chairman and executive Director of the Company as he has reached the statutory retirement age. The resignation of Mr. Guo Wensan was effective upon the delivery of the written resignation to the Board. Mr. Wang Jianchao, the deputy chairman, would perform the duties of chairman from 4 December 2015.

As approved at the 2014 annual general meeting held on 2 June 2015, Mr. Qi Shengli and Mr. Wang Pengfei were appointed as the Supervisors of the sixth session of the Supervisory Committee, whose appointments were effective from 2 June 2015 and up to the expiry day of the tenure of the sixth session of the Supervisory Committee (expected to be 27 May 2016). Mr. Wang Jun and Mr. Zhu Yuming ceased to be the Supervisors, whose resignations were effective from 2 June 2015.

As recommended by the committee of the Company's staff union, Mr. Wang Chunjian was appointed as the staff representative Supervisor of the Company since 23 March 2015, while Mr. Ding Feng ceased to be the staff representative Supervisor of the Company.

As recommended by the Remuneration and Nomination Committee of the Board, on 23 March 2015, the fifth meeting of the sixth session of the Board of the Company appointed Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ding Feng as the deputy general managers of the Company.

Mr. Guo Wensan has been the Chairman of the Company since its establishment. During his tenure of services for almost two decades, Mr. Guo, with devoted heart and mind and strong commitment, has made dedicated and great efforts to steer the Company to excelling itself to achieve different milestones and remarkable results. Mr. Guo has made outstanding contributions to the Company's operations and developments, and significant contributions to the technological advancement and structural adjustment of China's cement industry. The Board would like to extend its heartfelt gratitude to Mr. Guo Wensan for his contribution to the Company during his tenure of services.



8. Directors, Supervisors, Senior Management and Staff

The Board of the Company also would like to express its sincere gratitude to the other resigned Directors and Supervisors during the Reporting Period for their valuable contributions to the development of the Company during their tenure in office.

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

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

None of the Directors or Supervisors or any entity which has a connection with such Director or Supervisor still has or had any material interests, either directly or indirectly, in any transaction, arrangement or contract entered into by the Company or its subsidiaries during or subsisting at the end of the Reporting Period.

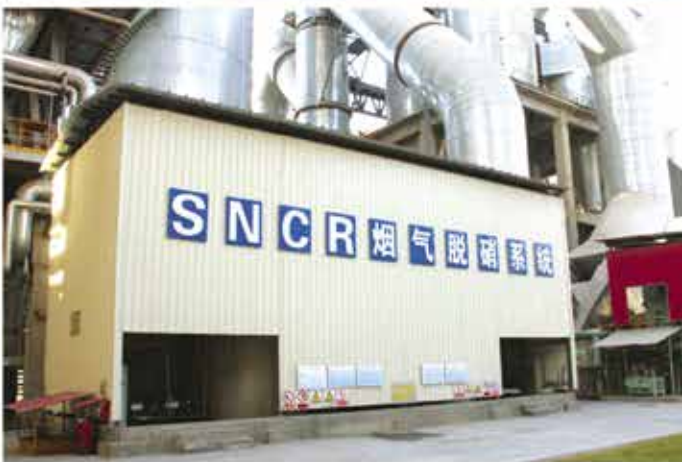
During the Reporting Period, none of the Directors and/or Supervisors of the Company entered into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

During the Reporting Period and up to the date of this report, no permitted indemnity provision which benefits the Director of the Company or any director of the subsidiaries of the Company was in force or is currently in force (if entered into by the Company).

During the Reporting Period, the Company has bought and maintained director and senior management liability insurance to provide proper insurance cover for the Directors and senior management in respect of certain legal actions.







The Company continued to push ahead with the development of energy conservation and environmental protection in cement projects. The 10 residual heat electricity generation units located at Tongren Conch, Bazhong Conch and other companies had been put into operation with an additional installed capacity of 94.5MW. The Company continued to implement low-NOx staged combustion technology modification and SNCR flue gas denitration technology modification for clinker production lines. As at the end of the Reporting Period, the Company completed denitration technology modification to all its operating production lines, which were running smoothly.

8. Directors, Supervisors, Senior Management and Staff

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

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

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

1. Decision-making process and basis for determining remuneration

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

8. Directors, Supervisors, Senior Management and Staff

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

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

(Unit: RMB)

Name	Position	Remuneration/ Allowance before-tax
Wang Jianchao	Deputy Chairman and executive Director	698,851.52
Zhang Mingjing	Executive Director	809,763.61
Zhou Bo	Executive Director and chief accountant	748,818.80
Guo Jingbin	Non-executive Director	0
Wong Kun Kau	Independent non-executive Director	125,000
Tai Kwok Leung	Independent non-executive Director	125,000
Zhao Jianguang	Independent non-executive Director	125,000
Qi Shengli	Chairman of Supervisory Committee	0
Wang Pengfei	Supervisor	0
Wang Chunjian	Staff representative Supervisor	214,303.57
Wu Bin	General manager	828,905.44
Li Qunfeng	Deputy general manager	738,801.29
Li Xiaobo	Deputy general manager	713,686.23
Ding Feng	Deputy general manager	714,299.20
Ke Qiubi	Assistant to general manager	690,743.58
Chen Yongbo	Assistant to general manager	674,975.58
Li Leyi	Chief engineer of technical art	712,778.19
Xia Xiaoping	Deputy chief accountant	671,707.86
Yang Kaifa	Secretary to the Board	587,769.81

Note:

- The above-mentioned annual remunerations included basic salary, bonus, housing provident fund and various insurances paid by the individual and the Company.
- During the Reporting Period, Mr. Wong Kun Kau, Mr. Tai Kwok Leung and Mr. Zhao Jianguang did not receive any remuneration from the Company and will not request the Company for payment of remuneration for the Reporting Period. The amounts listed in the above table are allowances paid by the Company to them.
- The annual remuneration of Mr. Wang Jianchao was evaluated by Anhui SASAC and assessed in combination with the fulfillment by Conch Holdings of its business targets.
- The remunerations before tax of Mr. Wang Chunjian was the amount for January to September 2015 received from the Group, and he did not receive any remuneration from the Group since October 2015.

8. Directors, Supervisors, Senior Management and Staff

During the Reporting Period, the resigned chairman of the Company Mr. Guo Wensan, independent non-executive Director Mr. Fang Junwen, chairman of the Supervisory Committee Mr. Wang Jun and the supervisor Mr. Zhu Yuming did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration for the Reporting Period.

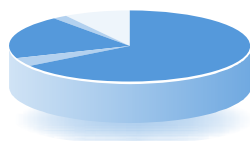
(6) HIGHEST PAID INDIVIDUALS

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

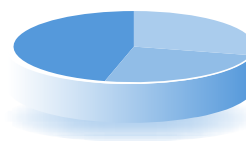
(7) EMPLOYEES

As at 31 December 2015, there were 47,832 staff members under the employment of the Group, of which 31,424 were production staff members, 1,831 were sales staff members, 9,450 were technical staff members, 965 were finance staff members, 4,162 were administrative and management staff members. 13,936 of them received tertiary education and above, 11,897 had secondary education (including higher vocational education), and 21,999 received high school education and below. The professional structure and education background of the employees are set out below:

- production staff members
- sales staff members
- technical staff members
- finance staff members
- administrative staff members



- tertiary education and above
- secondary education (including higher vocational education)
- high school education and below



8. Directors, Supervisors, Senior Management and Staff

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

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

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

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 7(b) to the financial statements prepared in accordance with the IFRS. Pension recorded in the income statement of the Group for the year ended 31 December 2015 amounted to RMB416.74 million.



8. Directors, Supervisors, Senior Management and Staff

(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2015, the total housing welfare fund paid by the Group amounted to approximately RMB222.81 million.



9. Corporate Governance

(1) CORPORATE GOVERNANCE

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

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

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

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

There is no material difference between the status quo of the Company's corporate governance structure and the regulatory documents related to corporate governance of listed company issued by the CSRC.

9. Corporate Governance

(2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

On 10 March 2015, the first extraordinary general meeting of the Company for the year 2015 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal and Securities Times on 11 March 2015.

On 2 June 2015, the annual general meeting of Company for the year 2014 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal and Securities Times on 3 June 2015.

On 16 November 2015, the second extraordinary general meeting of the Company for the year 2015 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal and Securities Times on 17 November 2015.

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

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

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Written Terms of Reference of the Remuneration and Nomination Committee and the Written Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and general meetings convened in 2015, held various specialized committee meetings, attended on a timely basis the reporting by the Company's management on production and operations and significant events for 2015, conducted on-site visits to the Company's production sites, participated in the major decisions made by the Company, and exercised their professional skills to provide reasonable advice and recommendations about the operations and development of the Company from a professional point of view, hence lawfully safeguarding the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions for the year ended 31 December 2015, and expressed their independent views on the above matters.

As all the three independent non-executive Directors of the Company are members of the Audit Committee, please refer to the paragraph headed "(5) Corporate Governance – 8. Audit Committee of the Board" for further information concerning the work carried out by the independent non-executive Directors in the course of preparation of this annual report.

9. Corporate Governance

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

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

(5) CORPORATE GOVERNANCE

1. Corporate Governance Code and Corporate Governance Report

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

2. Securities transactions by Directors

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

9. Corporate Governance

3. The Board

As at 31 December 2015, composition of the Board is as follows:

Name	Position
Wang Jianchao	Deputy Chairman and executive Director
Wong Kun Kau	Independent non-executive Director
Tai Kwok Leung	Independent non-executive Director
Zhao Jianguang	Independent non-executive Director
Guo Jinbin	Non-executive Director
Zhang Mingjing	Executive Director
Zhou Bo	Executive Director

There was no financial, business, family or other material relationship between members of the Board and between the Chairman (and the deputy Chairman who was appointed as the acting Chairman) and the chief executive officer.

During the Reporting Period, two physical meetings of the Board were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 46 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Guo Wensan ^{Note}	100%	100%
Wang Jianchao	100%	100%
Wong Kun Kau	100%	100%
Tai Kwok Leung	100%	100%
Zhao Jianguang	100%	100%
Guo Jingbin	100%	100%
Zhang Mingjing	100%	100%
Zhou Bo	100%	100%

Note: Mr. Guo Wensan ceased to be the executive Director of the Company with effect from 4 December 2015.

9. Corporate Governance

During the Reporting Period, the Board performed its duties and exercised its powers pursuant to Chapters 11 and 11A of the Articles, and the management performed its duties and exercised its powers pursuant to Chapter 13 of the Articles. In addition, the Board performed the functions set out in the Code D3.1. The Board would meet to develop, review and monitor the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements as well as compliance of the Model Code and compliance manual by the employees and Directors. Please refer to chapter 4 "Report of the Directors" of this annual report for details of the work performed by the Board, and chapter 5 "Management Discussion and Analysis" of this annual report for details of the work performed by the management.

4. Directors' Continuous Training and Development

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

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

For the financial year ended 31 December 2015, all Directors had participated in continuous professional development training.

5. Chairman and Chief Executive Officer

Given that Mr. Guo Wensan tendered his resignation as the Chairman of the Company on 4 December 2015, Mr. Wang Jianchao, the deputy Chairman of the Company, was appointed as acting chairman until a new chairman is elected by the Board, and Mr. Wu Bin acted as the chief executive officer (i.e. the general manager) of the Company.

9. Corporate Governance

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

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

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

For the tenure of the existing non-executive Directors of the Company, please refer to the paragraph headed “(1) Basic Information of Directors, Supervisors and Senior Management” of chapter 8 “Directors, Supervisors, Senior Management and Staff” in this report.

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

9. Corporate Governance

7. Remuneration and Nomination Committee of the Board

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

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

During the Reporting Period, the Remuneration and Nomination Committee of the Board comprised of five members, namely Mr. Zhao Jianguang, Mr. Wong Kun Kau, Mr. Tai Kwok Leung, Mr. Guo Jingbin and Ms. Zhang Mingjing, with Mr. Zhao Jianguang acting as the chairman.

During the Reporting Period, the remuneration and nomination committee of the Board held two meetings which were attended by all of the committee members in person. Matters discussed and considered at each meeting were as follows:

- (1) the following resolutions considered and approved at the meeting held on 22 March 2015: (i) remuneration of the senior management of the Company for year 2014 and the remuneration appraisal targets of the senior management of the Company for year 2015; (ii) the resolution regarding the nomination of Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ding Feng as the deputy general managers of the Company; and (iii) review of and agreement with the structure, number of members and composition of the Board for the time being.
- (2) the following resolution considered and approved at the meeting held on 21 August 2015: in order to implement the requirements of the document of Wanzhengjianhanzi No.87 [2015] issued by Anhui Bureau of China Securities Regulatory Commission on the rectification of holding concurrent posts by executives of listing companies, agreement with the resignation of Mr. Wang Jianchao as general manager of the Company; and agreement with the nomination of Mr. Wu Bin as general manager of the Company for the consideration and approval of the Board.

9. Corporate Governance

The remuneration and nomination committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2015 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

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

8. Audit Committee of the Board

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

In order to ensure effectiveness in execution of duties by the Audit Committee, the Company has formulated the relevant regulations including the Written Terms of Reference of the Audit Committee and the Regulation on the Work of the Audit Committee on Annual Report. The Written Terms of Reference of the Audit Committee (as revised on 31 December 2015 to include the responsibility regarding risk management) stipulates the number and qualification criteria of committee members, defines the duties and powers of the committee and prescribes the proceedings of the committee meetings and reporting procedures to the Board. The Regulation on the Work of the Audit Committee on Annual Report defines the specific work required to be carried out by the Audit Committee in connection with the preparation of and disclosure of the annual report of the Company, which mainly includes: studying and understanding the relevant requirements of the CSRC and other regulatory authorities in relation to the preparation of annual report, liaising on and determining the audit work schedule with the auditors for the annual audit, supervising the submission of the audit report by the auditors for the annual audit within the agreed time frame, reviewing the financial statements of the Company before the commencement of audit work and after the issue of preliminary audit opinion by the auditors for annual audit, submitting to the Board the work summary of the audit work of the Company for the year conducted by the auditors for annual audit and proposing the resolution on the re-appointment or replacement of the auditors for next year.

9. Corporate Governance

During the Reporting Period, the audit committee of the Board of the Company comprised Mr. Wong Kun Kau, Mr. Tai Kwok Leung and Mr. Zhao Jianguang, with Mr. Wong Kun Kau acting as the chairman.

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

- (1) On 19 January 2015, the audit committee held telephone conference to review the financial statements prepared by the Company for the year 2014 and listened to the reporting by the Company's management on operation of the Company for 2014 and the arrangement on the preparation of financial report and the main focus. KPMG Huazhen LLP and KPMG (together referred as "KPMG"), auditors of the Company reported the time table for the audit and the main focus of their audit work. The audit committee agreed to allow the auditors to conduct field audit in the Company for the year 2014.
- (2) On 2 March 2015, the audit committee, after further reviewing the 2014 financial statements and listening to the reporting by KPMG on the progress of the auditing by way of telephone conference, considered that the auditors had completed the audit conscientiously within the scheduled time frame.
- (3) On 22 March 2015, the audit committee held a meeting which considered and passed the following resolutions: (i) the annual financial report for the year ended 31 December 2014 prepared in accordance with the PRC Accounting Standards and IFRSs respectively; (ii) the annual report and its summary for the year 2014; (iii) the internal audit report for the year 2014 and the assessment report on internal control for the year 2014; (iv) the connected transactions which took place in 2014; (v) the resolution regarding the provision of guarantee by the Company for bank loans granted to its subsidiaries and invested companies, which was subsequently submitted to the Board for approval; (vi) the resolution regarding changes in the accounting policies; and (vii) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively.

9. Corporate Governance

On 22 March 2015, the audit committee issued a summary report in respect of the audit work for the Company for the year 2014 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for the Company for the year 2014, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively.

- (4) On 21 August 2015, the audit committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for the year 2015 prepared in accordance with the IFRSs and PRC Accounting Standards respectively; (ii) the half-yearly report for the year 2015 and its summary and the half-yearly results announcement.

Since the commencement of the audit work in relation to the preparation of the financial report of the Company for the year ended 31 December 2015, the audit committee has been participating in the whole process:

- (1) Prior to the commencement of audit work by the auditors, the audit committee first reviewed the 2015 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the audit committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.
- (2) Following the issuance of preliminary auditors' report by the auditors, the audit committee reviewed again the 2015 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

9. Corporate Governance

- (3) On 22 March 2016, the audit committee issued a summary report in respect of the audit work for the Company for the year 2015 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2015, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to reappoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company respectively, and recommended the Board to reappoint KPMG Huazhen LLP as the internal auditors of the Company.

9. Auditors' Remuneration

Please refer to “(3) Auditors and remuneration” in chapter 6 “Significant Events” in this report for the remuneration of auditors appointed by the Company in 2015.

10. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2015 have been reviewed by the audit committee of the Company. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2015, applicable accounting policies have been adopted and applied consistently. The Directors are not aware of any uncertain events or circumstances which may cast significant doubt the Company's ability to continue as a going concern.

11. Internal Control and Risk Management

The Company has an internal audit function. The Assessment Report on Internal Control for 2015 of the Company has been considered and approved by the Board, and was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year. The Board is of the opinion that the internal control and risk management system of the Group is sufficient and effective.

9. Corporate Governance

KPMG Huazhen LLP was engaged by the Company to review the effectiveness of the internal control on financial reporting procedures of the Group as at 31 December 2015, and has issued a standard unqualified audit report. The Audit Report on Internal Control was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year. The Company has set up the inspecting and auditing department which takes up the daily responsibility of internal risk control.

12. Shareholders' Rights

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

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

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

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



9. Corporate Governance

13. Company Secretary

Mr. Yang Kaifa and Mr. Chiu Pak Yue, Leo are the joint company secretaries of the Company. For further details, please refer to “(1) Basic Information of Directors, Supervisors and Senior Management” of chapter 8 “Directors, Supervisors, Senior Management and Staff” in this report.

14. Investor Relations and Communication with Shareholders

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

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

10. Information on Corporate Bonds

(1) GENERAL INFORMATION ON CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Issuance Date	Maturity Date	Balance	Interest Rate	Principal and Interest Payment	Stock Exchange
					of Bonds (RMB billion)			
2011 Corporate Bonds of Anhui Conch Cement Company Limited ("2011 Corporate Bonds")	11Conch01 (11海螺01)	122068	2011.5.23	2016.5.22	7	5.08	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE
	11Conch02 (11海螺02)	122069		2018.5.22	2.5	5.20		
2012 Corporate Bonds of Anhui Conch Cement Company Limited ("2012 Corporate Bonds")	12Conch01 (12海螺01)	122202	2012.11.07	2017.11.06	2.5	4.89	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE
	12Conch02 (12海螺02)	122203		2022.11.06	3.5	5.10		

Note: The 2012 Corporate Bonds "12 Conch 02" confer the issuer the option to raise the coupon rate at the end of the seventh year from the date of issue and confer the investor the option to sell back the bonds to the issuer, i.e. the issuer has the right to raise the coupon rate for the last three year at the end of the seventh year from the date of issue (the issuer may choose not to exercise such option and the original coupon rate remains unchanged), and the investors have the right to sell all or part of the bonds held by them back to the Company at par value on the interest payment date of the seventh interest-bearing year.

10. Information on Corporate Bonds

(2) CONTACT PERSON AND CONTACT INFORMATION OF THE TRUSTEE OF THE CORPORATE BONDS AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY

Trustee of 2011 Corporate Bonds	Name	Ping An Securities Company, Ltd.
	Business address	16-20th Floor, Rongchao Tower, 4036 Jintian Road, Futian District, Shenzhen
	Contact person	Qu Shan (瞿珊)
	Telephone	010-6629 9517
Trustee of 2012 Corporate Bonds	Name	Zhong De Securities Co., Ltd. (中德證券有限責任公司)
	Business address	22nd Floor, Tower 1, China Central Place, 81 Jianguo Road, Chaoyang District, Beijing
	Contact person	Yang Rurui (楊汝睿)
	Telephone	010-5902 6600
Credit Rating Agency of 2011 Corporate Bonds and 2012 Corporate Bonds	Name	China Chengxin Securities Rating Company Limited (中誠信證券評估有限公司)
	Business address	14th Floor, Block C, Merchants International Finance Center, 156 Fuxingmennei Avenue, Xicheng District, Beijing

(3) USE OF PROCEEDS FORM ISSUANCE OF CORPORATE BONDS

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB9.5 billion by the Company in 2011 amounted to RMB9,461,980,000. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2012, of which RMB5,034,480,000 was used to replenish its working capital and RMB4,427,500,000 was used to repay loans.

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB6.0 billion by the Company in 2012 amounted to RMB5,995,240,000. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2013, of which RMB3,000,000,000 was used to replenish its working capital and RMB2,995,240,000 was used to repay loans.

10. Information on Corporate Bonds

(4) CREDIT RATING AGENCY AND TRACKING RATING OF CORPORATE BONDS

According to the two credit rating notices (Xinpingweihanzi [2015] tracking No.031 and Xinpingweihanzi [2015] tracking No.032) and tracking rating reports issued by China Chengxin Securities Rating Company Limited (“China Chengxin”) in April 2015, and based on the tracking analysis on the Company, its 2011 Corporate Bonds and 2012 Corporate Bonds conducted by China Chengxin, the credit rating committee of China Chengxin considered and determined to maintain the Company’s main credit rating of AAA with stable rating outlook, and also maintain the credit rating of its 2011 Corporate Bonds of AAA and the credit rating of its 2012 Corporate Bonds of AAA. The two above-mentioned tracking rating reports were published on the websites of the SSE, the Hong Kong Stock Exchange and the Company on 24 April 2015.

China Chengxin will continue to conduct tracking rating on the Company and its corporate bonds based on the performance of the Company during the Reporting Period, and expects to issue the rating reports in April 2016, which will then be published on the websites of the SSE, the Hong Kong Stock Exchange and the Company.

(5) CREDIT ENHANCEMENT MECHANISM AND DEBT REPAYMENT PLAN IN RELATION TO THE CORPORATE BONDS FOR THE REPORTING PERIOD

Conch Holdings, the controlling shareholder of the Company, provided unconditional and irrevocable guarantee by way of joint liability assurance for the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company. As of 31 December 2015, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB16.58 billion (including the guarantee provided for the two tranches of corporate bonds issued by the Company in an aggregate amount of RMB15.5 billion), representing 22.04% of the unaudited net assets (excluding minority interests) of Conch Holdings as at 31 December 2015.

The debt repayment plan for the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company is as follows:

The interests of the five-year bonds of the 2011 Corporate Bonds shall be paid by the issuer through the share registrar and the relevant authorities on 23 May of each year during the period from the first year to the fifth year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 23 May 2016.

The interests of the seven-year bonds of the 2011 Corporate Bonds shall be paid by the issuer through the share registrar and the relevant authorities on 23 May of each year during the period from the first year to the seventh year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 23 May 2018.

10. Information on Corporate Bonds

The interests of the five-year bonds of the 2012 Corporate Bonds shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the fifth year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2017.

The interests of the ten-year bonds of the 2012 Corporate Bonds shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the tenth year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2022. In the case that the investors have exercised their sell-back options, the interest of the corporate bonds sold back shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the seventh year after the issuance date, and the principal amount of the corporate bonds sold back shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2019.

During the Reporting Period, the Company strictly executed the aforesaid debt repayment plan, so as to protect the interests of the creditors of the Company.

The major financial indicators (unaudited) of Conch Holdings, the guarantee for the 2011 Corporate Bonds and 2012 Corporate Bonds of the Company, for the year 2015 are as follows:

Items	As at 31 December 2015
Net assets (billion)	75.24
Gearing ratio (%)	31.47
Return on net assets (%)	10.74
Current ratio (times)	2.22
Quick ratio (times)	1.86



10. Information on Corporate Bonds

(6) MEETINGS OF CORPORATE BOND HOLDERS

During the Reporting Period, the Company did not convene any meeting of corporate bond holders.

(7) PERFORMANCE OF THE TRUSTEE OF THE CORPORATE BONDS

During the Reporting Period, Ping An Securities Company, Ltd. disclosed the Trustee Report on the 2011 Corporate Bonds of Anhui Conch Cement Company Limited (2014) in April 2015, including the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of guarantees of the corporate bonds, interest payment of the bonds for the current period and the tracking rating of the bonds.

During the Reporting Period, Zhong De Securities Co., Ltd. disclosed the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2014) in April 2015, including the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of guarantees of the corporate bonds, principal and interest payment of the bonds for the current period and the tracking rating of the bonds.

10. Information on Corporate Bonds

(8) ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LAST TWO YEARS UP TO THE END OF THE REPORTING PERIOD

Major indicators	2015	2014	Year-on-year change between 2015 and 2014 (%)	Reason for the change
Profit before interests, taxation, depreciation and amortization	15,461,538	19,749,514	-21.71	
Net cash flow generated from investing activities (RMB'000)	-12,719,267	-4,851,114	-162.2	Increase in the term deposits with a maturity of over three months
Net cash flow generated from financing activities (RMB'000)	-5,395,324	-6,785,676	20.5	
Balance of cash and cash equivalents at the end of the period (RMB'000)	4,285,034	12,512,121	-65.8	Increase in term deposits with a maturity of over three months
Current ratio (%)	128.45	174.32	Decreased by 45.87 percentage points	
Quick ratio (%)	107.68	143.93	Decreased by 36.25 percentage points	
Gearing ratio (%)	30.13	31.92	Decreased by 1.79 percentage points	
EBITDA/total debts ratio	0.49	0.61	-19.67	
Interest coverage ratio	11.36	14.67	-22.56	
Cash interest coverage ratio	10.23	15.60	-34.42	Decrease in operating revenue and cash flow generated from operating activities
EBITDA interest coverage ratio	15.97	18.20	-12.25	
Loan repayment rate (%)	100	100	-	
Interest payment ratio (%)	100	100	-	

10. Information on Corporate Bonds

(9) ASSETS OF THE COMPANY AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, none of the Company's assets were charged, pledged, distressed, frozen or only can be realized upon satisfaction of certain conditions or cannot be realized or used to settle debts, nor did there exist any circumstance or arrangement under which other rights were restricted. There was not any other senior debts that have defensive power against a third party.

(10) PAYMENT OF INTERESTS PAYABLE ON OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Besides issuance of the 2011 Corporate Bonds and the 2012 Corporate Bonds, the Company did not have any other bonds or debt financing instruments.

(11) BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the facilities granted to the Company by all the banks in aggregate amounted to RMB85.911 billion and US\$550 million, of which an amount of RMB2.883 billion and US\$125 million were drawn and an amount of RMB83.028 billion and US\$425 million remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB2,930.58 million according to the operation and development needs of the Company, and repaid bank loans of RMB3,670.05 million.

(12) PERFORMANCE OF THE AGREEMENTS OR UNDERTAKINGS UNDER THE PROSPECTUS OF CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company paid the interests on the relevant bonds on time as agreed in the prospectus of the bonds without any default.

(13) SIGNIFICANT EVENTS AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the Reporting Period, the Company did not occur any significant events which might impact the operation and solvency of the Company.

11. INDEPENDENT AUDITOR'S REPORT



to the members of

Anhui Conch Cement Company Limited

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

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 107 to 254, which comprise the consolidated statements of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

11. INDEPENDENT AUDITOR'S REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's 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.

KPMG

Certified Public Accountants

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

23 March 2016

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

Consolidated statement of profit or loss for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note	2015 RMB'000	2014 RMB'000
Revenue	5	50,976,036	60,758,501
Cost of sales and services rendered		(37,266,992)	(40,560,092)
Gross profit		13,709,044	20,198,409
Other revenue	6	1,790,723	1,468,056
Other net income	6	1,876,298	(17,337)
Selling and marketing costs		(3,105,094)	(2,936,834)
Administrative expenses		(3,184,451)	(2,686,838)
Profit from operations		11,086,520	16,025,456
Finance costs	7(a)	(962,821)	(1,038,936)
Share of losses of associates		(37,815)	(55,228)
Share of losses of joint ventures		(364)	(4,250)
Profit before taxation	7	10,085,520	14,927,042
Income tax	8(b)	(2,440,472)	(3,360,183)
Profit for the year		7,645,048	11,566,859
Attributable to:			
Equity shareholders of the Company		7,538,700	10,980,917
Non-controlling interests		106,348	585,942
Profit for the year		7,645,048	11,566,859
Earnings per share	12		
– Basic		RMB1.42	RMB2.07
– Diluted		RMB1.42	RMB2.07

The notes on pages 115 to 254 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 36(b).

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note	2015 RMB'000	2014 RMB'000
Profit for the year		7,645,048	11,566,859
Other comprehensive income for the year			
(after tax and reclassification adjustments)	11		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
financial statements of overseas subsidiaries		24,862	(29,630)
Available-for-sale equity securities:			
net movement in the fair value reserve		173,508	987,990
Shares of other comprehensive income of the investees		11,500	–
		209,870	958,360
Total comprehensive income for the year		7,854,918	12,525,219
Attributable to:			
Equity shareholders of the Company		7,744,458	11,946,858
Non-controlling interests		110,460	578,361
Total comprehensive income for the year		7,854,918	12,525,219

The notes on pages 115 to 254 form part of these financial statements.

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

Consolidated statement of financial position at 31 December 2015

(Expressed in Renminbi Yuan)

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
– Investment properties	13		40,156		32,114
– Other property, plant and equipment	14		64,107,776		62,469,127
– Lease prepayments	15		4,489,095		4,043,759
Intangible assets	16		2,878,148		2,805,160
Goodwill	17		463,731		374,557
Interest in associates	19		2,207,688		2,207,368
Interest in joint ventures	20		767,749		436,776
Loans and receivables	21		251,964		394,873
Available-for-sale equity securities	22		3,249,600		3,935,395
Deferred tax assets	34(b)		453,936		283,477
Prepayment for an acquisition of business	23		445,547		–
			79,355,390		76,982,606
Current assets					
Inventories	24		4,238,039		4,375,977
Trade receivables	25		4,887,786		4,218,815
Prepayments and other receivables	26		2,168,399		2,152,632
Amounts due from related parties	27		316,079		212,754
Tax recoverables	34(a)		344,253		158,707
Restricted cash deposits			186,412		139,485
Bank deposits with maturity over three months			10,000,000		1,500,000
Cash and cash equivalents	28		4,285,034		12,512,121
			26,426,002		25,270,491

The notes on pages 115 to 254 form part of these financial statements.

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

Consolidated statement of financial position at 31 December 2015 (continued)

(Expressed in Renminbi Yuan)

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	29	3,872,683		4,014,855	
Other payables and accruals	30	7,506,032		7,188,773	
Bank loans and other borrowings	31	8,445,248		2,329,168	
Amounts due to related parties	27	319,043		350,316	
Current portion of long-term payables		–		1,959	
Current taxation	34(a)	259,155		511,936	
		20,402,161		14,397,007	
Net current assets					
			6,023,841		10,873,484
Total assets less current liabilities					
			85,379,231		87,856,090
Non-current liabilities					
Bank loans and other borrowings	32(a)	10,739,682		17,587,076	
Long-term payables		–		5,617	
Deferred income	35	536,693		514,140	
Deferred tax liabilities	34(b)	558,347		522,173	
			11,834,722		18,629,006
NET ASSETS					
			73,544,509		69,227,084
CAPITAL AND RESERVES					
Share capital	36(c)		5,299,303		5,299,303
Reserves			64,848,267		60,550,673
Total equity attributable to equity shareholders of the Company					
			70,147,570		65,849,976
Non-controlling interests					
			3,396,939		3,377,108
TOTAL EQUITY					
			73,544,509		69,227,084

Approved and authorised for issue by the board of directors on 23 March 2016.

Wang Jian Chao
Directors

Zhou Bo
Directors

The notes on pages 115 to 254 form part of these financial statements.

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

Consolidated statement of changes in equity for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		5,299,303	10,243,790	224,202	(27,814)	2,649,654	(418,880)	37,793,246	55,763,501	2,638,258	58,401,759
Changes in equity for 2014:											
Profit for the year		-	-	-	-	-	-	10,980,917	10,980,917	585,942	11,566,859
Other comprehensive income	11	-	-	-	(22,049)	-	987,990	-	965,941	(7,581)	958,360
Total comprehensive income		-	-	-	(22,049)	-	987,990	10,980,917	11,946,858	578,361	12,525,219
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	(449,537)	(449,537)
Dividends approved in respect of the previous year	36(b)(ii)	-	-	-	-	-	-	(1,854,756)	(1,854,756)	-	(1,854,756)
Acquisition of non-controlling interests		-	-	(5,627)	-	-	-	-	(5,627)	(36,975)	(42,602)
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	556,525	556,525
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	90,476	90,476
Balance at 31 December 2014		5,299,303	10,243,790	218,575	(49,863)	2,649,654	569,110	46,919,407	65,849,976	3,377,108	69,227,084

The notes on pages 115 to 254 form part of these this financial report.

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

Consolidated statement of changes in equity for the year ended 31 December 2015 (continued)

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Share of the comprehensive income of the investees RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		5,299,303	10,243,790	218,575	(49,863)	2,649,654	569,110	46,919,407	-	65,849,976	3,377,108	69,227,084
Changes in equity for 2015:												
Profit for the period		-	-	-	-	-	-	7,538,700	-	7,538,700	106,348	7,645,048
Other comprehensive income	11	-	-	-	20,750	-	173,508	-	11,500	205,758	4,112	209,870
Total comprehensive income		-	-	-	20,750	-	173,508	7,538,700	11,500	7,744,458	110,460	7,854,918
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(426,761)	(426,761)
Dividends approved in respect of the previous year	36(b)(ii)	-	-	-	-	-	-	(3,444,547)	-	(3,444,547)	-	(3,444,547)
Acquisition of non-controlling interests		-	-	(2,317)	-	-	-	-	-	(2,317)	(32,430)	(34,747)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	-	368,562	368,562
Balance at 31 December 2015		5,299,303	10,243,790	216,258	(29,113)	2,649,654	742,618	51,013,560	11,500	70,147,570	3,396,939	73,544,509

The notes on pages 115 to 254 form part of these this financial report.

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

Consolidated cash flow statement for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Cash generated from operations	28(b)	12,979,094		21,494,202	
– Income tax paid		(3,070,920)		(3,839,713)	
– Interest paid		(964,255)		(1,129,681)	
Net cash generated from operating activities			8,943,919		16,524,808
Investing activities					
Payment for the purchase of property, plant and equipment		(4,619,439)		(6,222,740)	
Proceeds from disposal of property, plant and equipment		92,328		18,357	
Payment for lease prepayments		(431,187)		(494,858)	
Proceeds from disposal of lease prepayments		47,201		–	
Payment for the purchase of intangible assets		(116,755)		(255,948)	
Loans to related parties and third party		(417,789)		–	
Repayment of loans from related parties		217,789		–	
Payment for purchase of					
– available-for-sale equity securities		–		(395,742)	
– trading financial assets		–		(45,956)	
Proceeds from sale of					
– derivative financial instruments		159,747		57,868	
– available-for-sale equity securities		1,565,838		–	
New advances to government		(99,230)		(204,203)	
Repayment of advances from government		337,585		104,105	
New bank deposits with maturity over three months		(22,000,000)		(5,900,000)	
Proceeds from maturity of bank deposits over three months		13,500,000		9,021,900	
Interest received		459,364		418,860	
Dividends received from an associate		5,841		19,418	
Payment for the investment in an associate	19(b)	(1,449,829)		(167,264)	
Proceeds from sale of the investment in an associate	19(a)	2,558,096		–	

The notes on pages 115 to 254 form part of these financial statements.

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

Consolidated cash flow statement for the year ended 31 December 2015 (continued)

(Expressed in Renminbi Yuan)

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Investing activities (continued)					
Payment for the investment in joint ventures		(313,196)		(170,217)	
Dividends received from a joint venture		23,358		43,072	
Acquisitions of subsidiaries, net of cash acquired		(1,801,402)		(707,258)	
Dividends received from investment in securities		9,385		29,492	
Increase in restricted cash deposits		(1,425)		–	
Prepayment for an acquisition of business		(445,547)		–	
Net cash used in investing activities			(12,719,267)		(4,851,114)
Financing activities					
Payment for acquisition of non-controlling interests		(34,747)		(42,602)	
Proceeds from new bank loans and other borrowings		2,899,610		1,041,470	
Repayment of bank loans and other borrowings		(3,670,050)		(4,054,696)	
Dividends paid to non-controlling shareholders of non-wholly owned subsidiaries		(472,995)		(249,538)	
Dividends paid to equity shareholders of the Company	36(b)(ii)	(3,444,547)		(1,854,756)	
Capital contribution from non-controlling interests		368,562		90,476	
Other payments related to financing activities		(76,902)		(586,349)	
Net cash used in financing activities			(4,431,069)		(5,655,995)
Net (decrease)/increase in cash and cash equivalents			(8,206,417)		6,017,699
Effect of foreign exchange rate changes			(20,670)		(24,510)
Cash and cash equivalents at 1 January	28(a)		12,512,121		6,518,932
Cash and cash equivalents at 31 December	28(a)		4,285,034		12,512,121

The notes on pages 115 to 254 form part of these financial statements.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclose requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

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

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in the Group's audited 2015 financial statements.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

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

Amendments to IFRS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not have the defined benefit plans.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

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

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(o)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(h) Derivative financial instruments

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property

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

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Depreciation is calculated to write off the cost of investment property, less their estimated residual value, using the straight-line method over 30 years. Rental income from investment properties is accounted for as described in note 2(x)(ii).

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

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

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

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

Freehold land is not depreciated. Other than freehold land, depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Construction-in-progress

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

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

(m) Intangible assets (other than goodwill)

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

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

- | | |
|------------------------------------|--------------|
| - limestone and clay mining rights | 5 – 30 years |
| - Others | 5 – 50 years |

Both the period and method of amortisation are reviewed annually.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) Assets acquired under finance leases

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets (continued)

(iii) Operating lease charges

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

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

(o) Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

(ii) *Impairment of other assets*

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories

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

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

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

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

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

(q) Trade and other receivables

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) Cash and cash equivalents

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

(u) Employee benefits

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

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

(v) Income tax

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Other provisions and contingent liabilities

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

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

(i) *Sale of goods*

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

(ii) *Rental income from operating leases*

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

(iii) *Dividends*

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(iv) Interest income

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

(v) Government grants

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

(y) Repairs and maintenance

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

(z) Translation of foreign currencies

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies (continued)

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

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

(aa) Borrowing costs

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

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

(bb) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Segment reporting

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 37 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

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

(b) Depreciation

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(c) Inventories

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

(d) Impairment for bad and doubtful debts

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

(e) Fair value

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS

The Group acquired certain core assets which constitute to a business under IFRS 3, “Business Combinations”, from three independent third parties during the year ended 31 December 2015. The acquired core assets are located in the PRC and are principally engaged in the manufacture and sale of clinkers and cement related products.

During the period from the respective dates of acquisitions to 31 December 2015, these acquired core assets contributed a revenue of RMB 502,640,000 and profit of RMB 33,669,000 to the Group result. If the acquisitions had occurred on 1 January 2015, management estimates that the consolidated revenue of the Group for the year ended 31 December 2015 would have been RMB 51,287,242,000, and the consolidated profit for the year would have been RMB 7,654,587,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the respective dates of acquisition would remain the same even if the acquisitions had all occurred on 1 January 2015.

Name of the company	Voting Date of right acquisition	Principal activities
Ganzhou Conch Cement Co., Ltd. (“Ganzhou Conch”) 贛州海螺水泥有限責任公司	55% 13 June 2015	Manufacture and sale of clinker and cement products

Summary of net assets acquired by the Group in Ganzhou Conch, and the goodwill arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,709,181
Lease prepayments	129,993
Intangible assets	96,516
Inventories	23,324
Total net identifiable assets of the acquiree	1,959,014

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

Goodwill

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

	RMB'000
Total cash consideration	2,048,188
Fair value of identifiable net assets	(1,959,014)
Goodwill arising from the above acquisition	89,174

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

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2015 RMB'000	2014 RMB'000
Sales of clinkers and cement products	49,728,718	58,964,535
Sales of materials and other products	726,819	1,145,854
Service income	520,499	648,112
	50,976,036	60,758,501

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

(i) Segment results, assets and liabilities

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

Segment assets include all assets in the financial statements prepared in accordance with Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance ("MOF") of PRC. Segment liabilities include all liabilities in the financial statements prepared in accordance with CAS.

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

The measure used for reporting segment profit is profit before taxation in accordance with CAS.

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

For the year ended 31 December 2015

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b(ii)) RMB'000	Total RMB'000
Revenue from external customers	14,007,025	15,739,839	9,975,322	10,791,508	462,342	50,976,036	-	50,976,036
Inter-segment revenue	2,438,873	13,487,341	123,566	21,954	-	16,071,734	(16,071,734)	-
Reportable segment revenue	16,445,898	29,227,180	10,098,888	10,813,462	462,342	67,047,770	(16,071,734)	50,976,036
Reportable segment profit/(loss) (profit before taxation)	761,481	10,526,490	1,997,839	1,110,409	(212,044)	14,184,175	(4,098,655)	10,085,520
Interest income	8,292	942,736	11,334	15,454	1,089	978,905	(526,477)	452,428
Interest expense	(140,018)	(873,260)	(106,118)	(240,534)	(73,906)	(1,433,836)	471,015	(962,821)
Depreciation and amortisation for the year	(435,672)	(1,969,698)	(628,759)	(1,361,913)	(71,573)	(4,467,615)	8,296	(4,459,319)
Reportable segment assets (including investment in associates and joint ventures)	9,669,151	84,432,310	11,443,584	28,343,247	4,064,860	137,953,152	(32,171,760)	105,781,392
Investment in associates and joint ventures	-	531,215	-	2,164,224	279,998	2,975,437	-	2,975,437
Additions to non-current segment assets during the year	397,201	2,921,719	858,563	2,391,939	473,637	7,043,059	-	7,043,059
Reportable segment liabilities	5,711,212	17,618,846	3,777,153	16,598,155	3,717,995	47,423,361	(15,186,478)	32,236,883

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below (continued):

For the year ended 31 December 2014

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b(ii)) RMB'000	Total RMB'000
Revenue from external customers	19,408,818	17,820,834	11,507,809	11,978,299	42,741	60,758,501	-	60,758,501
Inter-segment revenue	2,882,538	16,531,501	98,257	2,721	-	19,515,017	(19,515,017)	-
Reportable segment revenue	22,291,356	34,352,335	11,606,066	11,981,020	42,741	80,273,518	(19,515,017)	60,758,501
Reportable segment profit/(loss)								
(profit before taxation)	1,707,637	12,665,497	3,465,869	2,086,000	(53,273)	19,871,730	(4,944,688)	14,927,042
Interest income	11,406	901,638	2,953	11,262	1,001	928,260	(508,261)	419,999
Interest expense	(157,706)	(945,093)	(108,339)	(256,625)	(10,122)	(1,477,885)	438,949	(1,038,936)
Depreciation and amortisation for the year	(388,259)	(1,811,054)	(597,116)	(1,032,688)	(3,239)	(3,832,356)	4,587	(3,827,769)
Reportable segment assets								
(including investment in associates and joint ventures)	10,342,793	79,588,343	11,455,653	27,623,579	1,583,378	130,593,746	(28,340,649)	102,253,097
Investment in associates and joint ventures	-	423,043	-	2,159,946	61,155	2,644,144	-	2,644,144
Additions to non-current segment assets during the year	848,206	3,332,210	1,030,764	4,735,214	609,682	10,556,076	-	10,556,076
Reportable segment liabilities	6,268,202	23,579,451	3,682,951	13,796,078	1,357,708	48,684,390	(15,658,377)	33,026,013

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2015 RMB'000	2014 RMB'000
Revenue		
Elimination of inter-segment revenue	(16,071,734)	(19,515,017)
Profit		
Elimination of inter-segment profits	(4,144,779)	(4,988,922)
Difference between CAS and IFRS*	46,124	44,234
	(4,098,655)	(4,944,688)
Assets		
Elimination of inter-segment balances	(32,171,760)	(28,340,649)
Liabilities		
Elimination of inter-segment balances	(15,553,540)	(16,042,536)
Difference between CAS and IFRS*	367,062	384,159
	(15,186,478)	(15,658,377)

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

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

	Revenue		Specified	
	from external customers		non-current assets	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	48,970,188	59,265,433	73,273,017	71,325,209
Others	2,005,848	1,493,068	2,378,837	1,438,525
	50,976,036	60,758,501	75,651,854	72,763,734

6 OTHER REVENUE AND NET INCOME

	2015	2014
	RMB'000	RMB'000
Other revenue		
Interest income	452,428	419,999
Subsidy income	1,328,910	1,018,565
Dividend income from listed securities	9,385	29,492
	1,790,723	1,468,056

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 OTHER REVENUE AND NET INCOME (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Other net income		
Net gain/(loss) on disposal of property, plant and equipment and lease prepayments	69,627	(4,022)
Net realised and unrealised gains on trading securities	–	8,083
Net realised and unrealised gains on derivative financial instruments	83,584	21,806
Available-for-sale securities:		
net gain on disposal	648,699	–
Net gain on disposal of interest in an associate	1,152,149	–
Net exchange loss	(52,113)	(87,991)
Negative goodwill	–	13,090
Others	(25,648)	31,697
	1,876,298	(17,337)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

	2015 RMB'000	2014 RMB'000
(a) Finance costs		
Total interest expense on financial liabilities not at fair value through profit or loss	968,308	1,085,358
Less: interest expense capitalised into construction-in-progress*	(5,487)	(46,422)
	962,821	1,038,936

* The borrowing costs have been capitalised at rates of 1.84% ~ 5.4% (2014: 1.84% ~ 5.78%).

	2015 RMB'000	2014 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	416,736	362,223
Salaries, wages and other benefits	3,331,862	2,985,343
	3,748,598	3,347,566

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

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

	Note	2015 RMB'000	2014 RMB'000
(c) Other items			
Amortisation			
– interest in leasehold land held for own use under operating leases	15	106,917	96,795
– intangible assets	16	140,283	131,734
Depreciation			
– investment property	13	1,263	1,084
– property, plant and equipment	14	4,210,856	3,598,156
Reversal of impairment losses			
– trade receivables	25(b)	–	(400)
– prepayments and other receivables		(140)	(180)
Auditors' remuneration			
– audit services		4,990	4,990
– other services		19	19

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated income statement represents:

	2015 RMB'000	2014 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	2,609,050	3,424,448
Under/(over)-provision in respect of prior years	23,543	(9,567)
	2,632,593	3,414,881
Deferred tax		
Origination and reversal of temporary differences	(192,121)	(54,698)
	2,440,472	3,360,183

No provision for Hong Kong Profits Tax is made for 2015 and 2014 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (2014: 25%) on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司 (Note (i))	15%
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司 (Note (i))	15%

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

Zunyi Conch Panjiang Cement Co., Ltd. (“Zunyi Conch”) 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Guangxi Sihegongmao Co., Ltd. (“Sihegongmao”) 廣西四合工貿有限責任公司 (Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. (“Tongren Conch”) 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. (“Liukuangruian”) 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. (“Qianxian Conch”) 乾縣海螺水泥有限責任公司 (Note (i))	15%
Qianxinan Resource Development Co., Ltd. (“Qianxinan”) 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. (“Nanwei Cement”) 四川南威水泥有限公司 (Note (i))	15%
Shuicheng Conch Panjiang Cement Co., Ltd. (“Shuicheng Conch”) 水城海螺盤江水泥有限責任公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd (“Liangping Conch”) 梁平海螺水泥有限責任公司. (Note (i))	15%
Hami Hongyi Construction Co., Ltd. (“Hami Construction”) 哈密弘毅建材有限責任公司 (Note (ii))	12.5%

Notes:

- (i) Pursuant to Notice No.4 issued by State Administration of Taxation on 10 March 2015 and relevant local tax authorities’ notices, these companies were entitled to a 15% preferential income tax rate as qualifying companies located in western areas in the PRC. These 16 companies mentioned above got approval from local tax authorities and entitled to a preferential income tax rate of 15% in 2015.
- (ii) In 2012, Hami Construction was recognised by the local tax authorities as an enterprise located in under-developed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year in which revenue is generated. In accordance with local tax authority’s notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	10,085,520	14,927,042
Notional tax on profit before taxation calculated at 25% (2014: 25%)	2,521,380	3,731,761
Tax effect of subsidiaries subject to tax rates other than 25%	(104,038)	(424,620)
Tax effect of non-deductible expenses	38,221	21,322
Tax effect of non-taxable income	(37,456)	(26,375)
Reversal of tax effect of prior years' unused tax losses recognised	231	69,862
Under/(over)-provision in respect of prior years	23,543	(9,567)
Others	(1,409)	(2,200)
Actual tax expense	2,440,472	3,360,183

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2015 Total RMB'000
Chairman					
Guo Wensan* (resigned on 4 December 2015)	-	-	-	-	-
Vice chairman & Executive director					
Wang Jianchao (appointed as Vice chairman on 21 August 2015)	-	209	457	33	699
Executive directors					
Zhang Mingjing	-	185	596	29	810
Zhou Bo	-	181	539	29	749
Non-executive director					
Guo Jingbin*	-	-	-	-	-
Independent non-executive directors					
Wong Kun Kau	-	125	-	-	125
Tai Kwok Leung	-	125	-	-	125
Zhao Jianguang (appointed on 3 March 2015)	-	125	-	-	125
Supervisors					
Wang Jun* (resigned on 2 June 2015)	-	-	-	-	-
Qi Shengli* (appointed on 2 June 2015)	-	-	-	-	-
Wang Pengfei* (appointed on 2 June 2015)	-	-	-	-	-
Wang Chunjian (appointed on 23 March 2015)	-	193	-	21	214
Zhu Yuming* (resigned on 2 June 2015)	-	-	-	-	-
Ding Feng (resigned on 23 March 2015)	-	37	128	7	172
	-	1,180	1,720	119	3,019

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (CONTINUED)

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2014: two) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	513	297
Discretionary bonuses	1,683	1,249
Retirement plan contributions	86	54
	2,282	1,600

The emoluments of the three (2014: two) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil – HK\$1,000,000	3	1
HK\$1,000,001- HK\$1,500,000	–	1

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME

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

	2015			2014		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
		(Note 34(b))			(Note 34(b))	
Exchange differences on translation of: financial statements of overseas subsidiaries	24,862	-	24,862	(29,630)	-	(29,630)
Available-for-sale equity securities: net movement in fair value reserve	231,344	(57,836)	173,508	1,317,320	(329,330)	987,990
Share of the investees' other comprehensive income	11,500	-	11,500	-	-	-
Other comprehensive income	267,706	(57,836)	209,870	1,287,690	(329,330)	958,360

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Available-for-sale equity securities:		
Changes in fair value recognised during the year	231,344	1,317,320
Net deferred tax charged to other comprehensive income (Note 34(b))	(57,836)	(329,330)
Net movement in the fair value reserve during the year recognised in other comprehensive income	173,508	987,990

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2015 of RMB 7,538,700,000 (2014: RMB 10,980,917,000) and the weighted average number of shares in issue during the year ended 31 December 2015 of 5,299,303,000 shares (2014: 5,299,303,000 shares).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2015 and 2014.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENT PROPERTIES

	RMB'000
Cost:	
At 31 December 2014 and 1 January 2015	34,189
Transfer from property plant and equipment	9,768
At 31 December 2015	43,957
Accumulated depreciation:	
At 31 December 2014 and 1 January 2015	2,075
Transfer from property plant and equipment	463
Charge for the year	1,263
At 31 December 2015	3,801
Net book value:	
At 31 December 2015	40,156
At 31 December 2014 and 1 January 2015	32,114

In 2015, the Group leased out two (2014: one property) properties with carrying value of RMB40,156,000 (2014: RMB32,114,000) under operating lease and classified the properties as investment properties accordingly. The investment properties are subsequently measured using the cost model.

The investment properties are valued by the management to be RMB44,453,000 as at 31 December 2015 using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties. The investment properties have been valued by an external independent appraiser in 2015.

The rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to RMB6,056,000 (2014: RMB4,050,000). Direct operating expenses arising from the investment properties amounted to RMB1,263,000 (2014: RMB1,084,000).

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT

	Land, Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2014	28,656,395	39,898,180	605,831	1,465,331	4,748,927	75,374,664
Acquisition through business combinations	775,680	908,120	2,997	5,218	1,121,922	2,813,937
Other additions	45,853	26,233	32,350	232,382	6,662,059	6,998,877
Transfer from construction-in-progress	3,699,327	3,607,576	2,102	5,275	(7,314,280)	-
Disposals	(2,935)	(62,847)	(17,097)	(16,239)	-	(99,118)
At 31 December 2014	33,174,320	44,377,262	626,183	1,691,967	5,218,628	85,088,360
At 1 January 2015	33,174,320	44,377,262	626,183	1,691,967	5,218,628	85,088,360
Acquisition through business combinations	812,657	693,653	1,476	14,408	186,987	1,709,181
Other additions	20,077	399,642	24,638	182,165	3,584,082	4,210,604
Transfer from construction-in-progress	3,118,107	3,451,414	2,400	5,521	(6,577,442)	-
Disposals	(89,111)	(164,666)	(1,166)	(37,258)	-	(292,201)
Transfer to investment properties	(9,768)	-	-	-	-	(9,768)
At 31 December 2015	37,026,282	48,757,305	653,531	1,856,803	2,412,255	90,706,176

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2014	4,632,656	13,067,677	467,637	930,326	-	19,098,296
Charge for the year	868,119	2,501,138	28,214	200,685	-	3,598,156
Written back on disposals	(904)	(45,912)	(16,227)	(14,176)	-	(77,219)
At 31 December 2014	5,499,871	15,522,903	479,624	1,116,835	-	22,619,233
At 1 January 2015	5,499,871	15,522,903	479,624	1,116,835	-	22,619,233
Charge for the year	1,002,750	2,980,662	27,892	199,552	-	4,210,856
Written back on disposals	(84,101)	(121,204)	(1,026)	(24,895)	-	(231,226)
Transfer to investment properties	(463)	-	-	-	-	(463)
At 31 December 2015	6,418,057	18,382,361	506,490	1,291,492	-	26,598,400
Net book value:						
At 31 December 2015	30,608,225	30,374,944	147,041	565,311	2,412,255	64,107,776
At 31 December 2014	27,674,449	28,854,359	146,559	575,132	5,218,628	62,469,127

As at 31 December 2015, no property, plant and equipment was pledged. At 31 December 2014, the carrying amount of property, plant and equipment pledged as security against the Group's current borrowings of RMB 650,000,000 amounted to approximately RMB 311,728,000.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS

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

	Interest in leasehold land held for own use under operating leases
	RMB'000
Cost:	
At 1 January 2014	4,123,463
Acquisitions through business combination	352,968
Additions	132,116
Disposals	(573)
At 31 December 2014	4,607,974
At 1 January 2015	4,607,974
Acquisitions through business combination	129,993
Additions	431,187
Disposals	(12,381)
At 31 December 2015	5,156,773

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS (CONTINUED)

	Interest in leasehold land held for own use under operating leases
	RMB'000
Accumulated amortisation:	
At 1 January 2014	467,513
Charge for the year	96,795
Written back on disposals	(93)
	<hr/>
At 31 December 2014	564,215
	<hr style="border-top: 1px dashed black;"/>
At 1 January 2015	564,215
Charge for the year	106,917
Written back on disposals	(3,454)
	<hr/>
At 31 December 2015	667,678
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31 December 2015	4,489,095
	<hr/>
At 31 December 2014	4,043,759
	<hr/>

As at 31 December 2015, no interest in leasehold land held for own use under operating leases was pledged (2014: the carrying amount of interest in leasehold land held for own use under operating leases pledged as security against the Group's current borrowings of RMB 650,000,000 amounted to approximately RMB 161,800,000).

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2015 was approximately RMB 221,313,000. The directors are of the opinion that the Group is entitled to legally occupy or use these land.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2014	2,876,674	34,295	2,450	2,913,419
Acquisitions through business combination	116,365	–	630	116,995
Additions	241,239	8,125	25,352	274,716
At 31 December 2014	3,234,278	42,420	28,432	3,305,130
At 1 January 2015	3,234,278	42,420	28,432	3,305,130
Acquisitions through business combination	96,504	–	12	96,516
Additions	113,245	3,447	63	116,755
At 31 December 2015	3,444,027	45,867	28,507	3,518,401
Accumulated amortisation:				
At 1 January 2014	358,210	8,837	1,189	368,236
Charge for the year	128,332	2,099	1,303	131,734
At 31 December 2014	486,542	10,936	2,492	499,970
At 1 January 2015	486,542	10,936	2,492	499,970
Charge for the year	136,302	2,643	1,338	140,283
At 31 December 2015	622,844	13,579	3,830	640,253
Net book value:				
At 31 December 2015	2,821,183	32,288	24,677	2,878,148
At 31 December 2014	2,747,736	31,484	25,940	2,805,160

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

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its limestone mining rights. The aggregate carrying value of such limestone mining rights of the Group as at 31 December 2015 was approximately RMB9,351,000. The directors are of the opinion that the Group is entitled to legally use these limestone mining rights.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 GOODWILL

	Note	2015 RMB'000	2014 RMB'000
Carrying amount:			
At 1 January		374,557	299,742
Acquisitions through business combinations	4	89,174	74,815
At 31 December		463,731	374,557

Impairment tests for cash-generating units containing goodwill

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

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a five-year period approved by management and pre-tax discount rate of 12.53% that reflects current market assessment of the time value of money and specific risks relating to the Group.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2015 are as follows (Hong Kong dollars referred to as “HK\$”, United States dollars referred to as “USD”):

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司	RMB 15,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限公司	RMB 15,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥销售有限公司	RMB 5,000,000	100%	100%	–	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	RMB 590,000,000	100%	99.75%	0.25%	Manufacture and sale of clinker and cement products
Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限公司	RMB 14,000,000	76%	76%	–	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽縱陽海螺水泥股份有限公司	RMB 410,000,000	100%	99.27%	0.73%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	99.67%	0.33%	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	-	Inactive
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Wenzhou Conch Cement Co., Ltd. ("Wenzhou Conch") 溫州海螺水泥有限公司	RMB 50,000,000	100%	100%	-	Inactive
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限責任公司	RMB 16,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西廬山海螺水泥有限公司	RMB 100,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司	RMB 170,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司	RMB 20,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 273,250,000	100%	100%	-	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	-	100%	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	-	100%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 70,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 105,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	-	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 406,500,000	100%	100%	-	Manufacture and sale of clinker and cement products
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 660,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 400,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限公司	RMB 328,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限公司	RMB 30,000,000	100%	100%	–	Provision of construction and installation services for industrial purposes
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	100%	-	Manufacture and sale of clinker and cement products and provision of loading services
Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司	RMB 450,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yangzhou Conch Cement Co., Ltd. ("Yangzhou Conch") 揚州海螺水泥有限責任公司	RMB 210,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 457,500,000	100%	100%	-	Manufacture and sale of clinker and cement products
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 421,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 113,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Pingliang Conch 平涼海螺水泥有限責任公司	RMB 470,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 290,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yueqing Conch Cement Co., Ltd. ("Yueqing Conch") 樂清海螺水泥有限責任公司	RMB 238,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 350,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Guangyuan Conch 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Conch") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Chongqing Conch 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 165,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Lu'an Conch Cement Co., Ltd. ("Lu'an Conch") 六安海螺水泥有限責任公司	RMB 89,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch 達州海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liquan Conch 禮泉海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司	RMB 490,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 550,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司	RMB 225,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Guiyang Conch* 貴陽海螺盤江水泥有限責任公司	RMB 580,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiding Conch* 貴定海螺盤江水泥有限責任公司	RMB 460,000,000	50%	50%	–	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Zunyi Conch* 遵義海螺盤江水泥有限責任公司	RMB 530,000,000	50%	50%	-	Manufacture and sale of clinker and cement products
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司	RMB 50,000,000	100%	100%	-	Manufacture and sale of clinkers and cement products
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥有限責任公司	RMB 300,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Sihegongmao 廣西四合工貿有限責任公司	RMB 120,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料有限公司	RMB 100,000,000	70%	70%	-	Manufacture and sale of refractory material
Tongren Conch 銅仁海螺盤江水泥有限責任公司	RMB 510,000,000	51%	51%	-	Manufacture and sale of clinker and cement products

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

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Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司	RMB 928,800,000	100%	100%	–	Manufacture and sale of clinker and cement products
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司	RMB 372,376,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxian Conch 乾縣海螺水泥有限責任公司	RMB 560,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liukuanguan 貴州六礦瑞安水泥有限公司	RMB 477,450,000	51%	51%	–	Manufacture and sale of clinker and cement products
Liangping Conch 梁平海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxinan 黔西南州發展資源開發有限公司	RMB 250,000,000	51%	51%	–	Manufacture and sale of clinker and cement products
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限責任公司	RMB 280,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司	RMB 30,000,000	70%	70%	-	Manufacture and sale of clinker and cement products
Nanwei Cement 四川南威水泥有限公司	RMB 168,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司	RMB 50,000,000	80%	80%	-	Manufacture and sale of clinker and cement products
Hami Construction 哈密弘毅建材有限責任公司	RMB 100,000,000	80%	80%	-	Manufacture and sale of clinker and cement products
Guangxi Lingyun Tonghong Cement Co., Ltd. ("Lingyun Tonghong") 廣西凌雲通鴻水泥有限公司	RMB 80,000,000	80%	80%	-	Manufacture and sale of clinker and cement products
Maoming Dadi Cement Co., Ltd. ("Maoming Dadi") 茂名市大地水泥有限公司	RMB 60,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Jinxian Conch Cement Co., Ltd. ("Jinxian Conch") 進賢海螺水泥有限責任公司	RMB 42,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Linxia Conch Cement Co., Ltd. ("Linxia Conch") 臨夏海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Conch International Holding (HK) Co., Ltd. ("Conch International") 海螺國際控股(香港)有限公司	HK\$ 300,000,000	100%	100%	–	Investment and trading
Conch Material Trading Co., Ltd. ("Conch Material") 安徽海螺物資貿易有限責任公司	RMB 50,000,000	100%	100%	–	Sale of clinker and cement products, trading of coal
Wuxi Conch Sales Cement Co., Ltd. ("Wuxi Sales") 無錫海螺水泥銷售有限公司	RMB 100,000,000	100%	100%	–	Sale of clinker and cement products
Yingjiangyunhan Cement Co., Ltd. ("Yingjiangyunhan") 盈江允罕水泥有限公司	RMB 30,000,000	90%	90%	–	Manufacture and sale of clinker and cement products
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑膠包裝有限責任公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of cement packaging

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Shaoyang Yeafing New Energy Co., Ltd. ("Yeafing New Energy") 邵陽市雲峰新能源科技有限公司	RMB 120,000,000	65%	65%	-	Sale and development of profile and related products
Hunan Yeafing Cement Co., Ltd. ("Yeafing Cement") 湖南省雲峰水泥有限公司	RMB 93,000,000	65%	65%	-	Manufacture and sale of clinker and cement products
Shuicheng Conch 水城海螺盤江水水泥有限責任公司	RMB 507,600,000	40%	40%	-	Manufacture and sale of clinker and cement products
Kunming Hongxi Cement Co., Ltd. ("Kunming Hongxi") 昆明宏熙水泥有限公司	USD 30,506,700	80%	80%	-	Manufacture and sale of clinker and cement products
Goldsun (Hunan) Cement Co., Ltd. ("Goldsun Cement") 國產實業(湖南)水泥有限公司	USD 74,800,000	80%	80%	-	Manufacture and sale of clinker and cement products
Ganzhou Conch 贛州海螺水泥有限責任公司	RMB 400,000,000	55%	55%	-	Manufacture and sale of clinker and cement products
Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司	RMB 500,000,000	100%	100%	-	Manufacture and sale of clinker and cement products

The particulars of subsidiaries, which are limited liability companies established in the Republic of Indonesia, at 31 December 2015 are as follows (United States dollars referred to as "USD"):

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

Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
PT Conch Cement Indonesia ("Indonesia Conch") 印尼海螺水泥有限公司	USD 51,000,000	75%	75%	-	Investment and trading
PT Conch South Kalimantan Cement("Indonesia South Conch") 南加裡曼丹海螺水泥有限公司	USD 90,000,000	71.25%	-	71.25%	Manufacture and sale of clinker and cement products
PT Conch International Trade Indonesia ("Indonesia International Trade Conch") 印尼海螺國際貿易有限公司	USD 10,000,000	100%	10%	90%	Investment and trading
PT Conch Manos South Sulawesi Mine ("South Sulawesi Conch") 南蘇拉威西馬諾斯海螺礦山有限公司	USD 1,000,000	67.5%	-	67.5%	Mining and related service
PT Conch Maros Cement Indonesia ("Maros Conch") 印尼馬諾斯水泥有限公司	USD 50,000,000	100%	0.5%	99.5%	Manufacture and sale of clinker and cement products
PT Conch Barru Cement Indonesia("Barru Conch") 印尼巴魯海螺水泥有限公司	USD 50,000,000	100%	0.5%	99.5%	Manufacture and sale of clinker and cement products
PT Conch North Sulawesi Cement ("North Sulawesi Conch") 北蘇海螺水泥有限公司	USD 50,000,000	100%	-	100%	Manufacture and sale of clinker and cement products

The particulars of subsidiaries, which are limited liability companies established in the Kingdom of Cambodia, at 31 December 2015 are as follows (United States dollars referred to as "USD"):

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of issued and paid upcapital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Battambang Conch Cement Company Limited ("Battambang Conch") 馬德望海螺水泥有限公司	USD 10,000,000	51%	51%	-	Manufacture and sale of clinker and cement products

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

	2015 RMB'000	2014 RMB'000
NCI percentage	1.29% ~ 60%	1.29% ~ 60%
Current assets	5,805,760	5,965,598
Non-current assets	20,007,108	16,112,008
Current liabilities	(10,844,110)	(8,464,860)
Non-current liabilities	(4,481,344)	(3,815,844)
Net assets	10,487,414	9,796,902
Carrying amount of NCI	3,396,939	3,377,108
Revenue	11,142,810	12,541,363
Profit for the year	364,527	1,680,863
Total comprehensive income	383,172	1,650,933
Total comprehensive income allocated to NCI	110,460	578,361
Dividend paid to NCI	426,761	449,537

19 INTEREST IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	2,056,746	1,780,887
Goodwill	150,942	426,481
	2,207,688	2,207,368

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Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

The following list contains only the particulars of material associates, all of which are operating in the PRC (United States dollars referred to as “USD”, Great Britain Pound referred to as “GBP”):

Name of associate	Particulars of registered and paid up capital	Listed/ unlisted Company	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. (“Qingsong Building Materials and Chemicals”) 新疆青松建材化工(集團) 股份有限公司 (note (a))	RMB 1,378,790,086	Listed	10.59%	10.59%	-	Manufacture and sale of building materials and chemicals products
Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) 安徽朱家橋水泥有限公司	USD 15,000,000	Unlisted	40%	40%	-	Manufacture and sale of cement related products
West China Cement Limited (“West Cement”) 中國西部水泥有限公司 (note (b))	GBP 20,000,000	Listed	21.17%	-	21.17%	Manufacture and sale of cement related products

Note:

- (a) From April to July 2015, the Group sold 242,326,262 shares of Qingsong Building Materials and Chemicals at an amount of RMB2,558,096,000 through the Shanghai Stock Exchange (“SSE”). As a result, the Group held 146,028,004 shares, or 10.59% equity interests of Qingsong Building Materials and Chemicals as at 31 December 2015.
- (b) In June 2015, the Group entered into an agreement with West Cement to subscribe 903,467,970 shares of West Cement at a consideration of RMB1,204,113,000 through Conch International, a wholly-owned subsidiary of the Company. In October 2015, the Group acquired additional 244,098,000 shares of West Cement through the Hong Kong Stock Exchange (“HKSE”) at a consideration of RMB 245,716,000. As a result, the Group held 1,147,565,970 shares, or 21.17% equity interests of West Cement as at 31 December 2015.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information of the associates, extracted from the latest public financial information of these associates, adjusted for fair value and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Qingsong Building Materials and Chemicals	
	From October 1, 2014 to September 30, 2015 RMB'000	From October 1, 2013 to September 30, 2014 RMB'000
Gross amounts of the associate		
Current assets	3,011,907	3,140,077
Non-current assets	9,175,720	9,221,530
Current liabilities	(4,150,834)	(4,078,892)
Non-current liabilities	(2,660,118)	(2,656,329)
Equity	5,376,675	5,626,386
Equity attributable to equity shareholders of the associate	4,964,101	5,075,255
Revenue	2,008,500	2,664,072
Loss from continuing operations	(69,166)	(252,267)
Other comprehensive income	892	-
Total comprehensive income	(68,274)	(252,267)
Fair value adjustments	(33,178)	(33,178)
Dividend received from the associate	5,841	19,418
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	4,964,101	5,075,255
Fair value adjustments	1,008,776	1,025,365
Group's effective interest	10.59%	28.17%
Group's share of net assets of the associate	632,528	1,733,465
Goodwill	142,117	426,481
Carrying amount in the consolidated financial statements		
	774,645	2,159,946

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

	West Cement
	From 26 June 2015 to 31 December 2015
	RMB'000
Gross amounts of the associate	
Current assets	2,042,498
Non-current assets	9,339,997
Current liabilities	(2,770,031)
Non-current liabilities	(2,708,563)
Equity	5,903,901
Equity attributable to equity shareholders of the associate	5,856,421
Revenue	1,810,090
Loss from continuing operations	(311,638)
Other comprehensive income	–
Total comprehensive income	(311,638)
Dividend received from the associate	–
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	5,856,421
Fair value adjustments	651,707
Group's effective interest	21.17%
Group's share of net assets of the associate	1,380,754
Goodwill	8,825
Carrying amount in the consolidated financial statements	1,389,579

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

	Other associate	
	2015 RMB'000	2014 RMB'000
Gross amounts of the associate		
Current assets	52,145	53,875
Non-current assets	47,531	52,515
Current liabilities	4,647	7,829
Equity	104,323	114,219
Revenue	52,299	70,051
Loss from continuing operations	(9,895)	(5,947)
Other comprehensive income	–	–
Total comprehensive income	(9,895)	(5,947)
Dividend received from the associate	–	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	104,323	114,219
Group's effective interest	40%	40%
Carrying amount in the consolidated financial statements	43,464	47,422

20 INTEREST IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	767,749	436,776
	767,749	436,776

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN JOINT VENTURES (CONTINUED)

Details of the Group's interest in the joint venture, which is unlisted and operating in the PRC and overseas, at 31 December 2015 are as follows:

Name of joint venture	Particulars of registered/issued capital and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限公司	RMB348,000,000	50%	50%	-	Provision of installation and maintenance services of machinery
Sino-Myanmar International Trading Co., Ltd. ("Sino-Myanmar International") 中緬(蕪湖)國際貿易有限公司	USD65,000,000	45%*	45%	-	Export and import business
PT. SDIC Papua Cement Indonesia ("Papua Cement") 印尼巴布亞水泥有限公司	USD80,000,000	49%*	49%	-	Manufacture and sale of clinker and cement product
Myanmar Conch Cement Company Limited ("Myanmar Conch") 緬甸海螺水泥有限責任公司	USD20,000,000	45%*	45%	-	Manufacture and sale of clinker and cement product

* According to the Articles of Association of these three entities, the Group jointly control these entities, together with other third parties.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN JOINT VENTURES (CONTINUED)

Summary financial information of the joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2015 RMB'000	2014 RMB'000
Gross amounts of joint ventures		
Current assets	1,561,133	708,892
Non-current assets	2,754,771	646,950
Current liabilities	(1,757,811)	(498,016)
Non-current liabilities	(931,957)	–
Equity	1,626,136	857,826
Included in the above assets and liabilities:		
Cash and cash equivalents	157,068	264,152
Current financial liabilities (excluding trade and other payable and provisions)	230,132	200,000
Revenue	1,542,772	626,422
Profit from continuing operations	109,843	63,718
Other comprehensive income	22,989	–
Total comprehensive income	132,832	63,718
Dividend received from the joint ventures	23,358	43,072
Included in the above profit:		
Depreciation and amortisation	(36,168)	(33,298)
Interest income	1,770	72
Interest expense	(14,383)	(11,838)
Income tax expense	(45,619)	(10,807)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN JOINT VENTURES (CONTINUED)

	2015 RMB'000	2014 RMB'000
Reconciled to the Group's interest in joint ventures		
Gross amounts of net assets	1,626,136	857,826
Group's effective interest	45% – 50%	45% – 50%
Other adjustment	(10,335)	20,027
Group's share of net assets	767,749	436,776
Carrying amount in the consolidated financial statements		
	767,749	436,776

21 LOANS AND RECEIVABLES

	2015 RMB'000	2014 RMB'000
Loans and receivables	395,181	633,536
Less: current portion of loans and receivables (note 26)	(143,217)	(238,663)
	251,964	394,873

As at 31 December 2015, loans and receivables of the Group represent advances made to local government authorities of which RMB160,810,000 (2014: RMB339,000,000) are unsecured, bear interest at rates of 4.60% ~ 6.40% (2014: 6.15% ~ 6.65%) per annum, and repayable from 2016 to 2019. The remaining balance of RMB234,371,000 (2014: RMB294,536,000) is unsecured, interest free and repayable in 2016 and 2019.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	2015 RMB'000	2014 RMB'000
Available-for-sale equity securities		
– listed in the PRC	3,249,600	3,935,395

All available-for-sale equity securities held by the Group are listed either on SSE or the Shenzhen Stock Exchange (“SZSE”). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2015.

23 PREPAYMENT FOR AN ACQUISITION OF BUSINESS

	2015 RMB'000	2014 RMB'000
Prepayment for an acquisition of business	445,547	–

In 2015, the Group’s wholly-owned subsidiary, Chaohu Cement, entered into an acquisition agreement with a third party, Anhui Chaodong Cement Co., Ltd. (“Chaodong Cement”) to acquire all cement operation assets of Chaodong Cement at a consideration of RMB1,113,867,000. Pursuant to the acquisition agreement, the Group prepaid an amount of RMB445,547,000 to Chaodong Cement as part of the consideration.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015	2014
	RMB'000	RMB'000
Raw materials	1,459,600	1,880,896
Work in progress	191,467	172,034
Finished goods	2,167,335	1,888,804
Spare parts	419,637	434,243
	4,238,039	4,375,977

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015	2014
	RMB'000	RMB'000
Carrying amount of inventories recognised as expenses	36,865,434	39,684,532

All of the inventories are expected to be recovered within one year.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	401,584	318,910
Less: allowance for doubtful debts (note 25(b))	(8,982)	(8,982)
	392,602	309,928
Bank acceptance notes receivable (note 25(d))	4,478,684	3,895,387
Commercial acceptance notes receivable	16,500	13,500
	4,887,786	4,218,815

All of the trade receivables are expected to be recovered within one year.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis

Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on invoice date as of the statement of financial position date:

	2015 RMB'000	2014 RMB'000
Within 1 year (inclusive)	4,887,786	4,218,815

Trade debtors are due within 30 to 60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 1 year from the date of issuance.

Further details on the Group's credit policy are set out in note 37(a).

(b) Impairment of trade debtors and notes receivable

Impairment losses in respect of trade debtors and notes receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and notes receivable directly (see note 2(o)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	8,982	9,858
Reversal of impairment losses	–	(400)
Uncollectible amounts written off	–	(476)
At 31 December	8,982	8,982

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and notes receivable (continued)

At 31 December 2015, none of the Group's trade receivables were individually determined to be impaired (2014: Nil).

(c) Trade debtors and notes receivable that are not impaired

The ageing analysis of trade debtors and notes receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	4,883,476	4,212,919
Overdue within 60 days (inclusive)	4,310	5,896
	4,887,786	4,218,815

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

(d) Bank acceptance notes receivables

As at 31 December 2015, the Group endorsed the undue bank acceptance notes of RMB2,330,273,000 (2014: RMB1,617,233,000) to its suppliers to settle trade payables of the same amounts and derecognized these notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognized undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2015, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMB2,330,273,000 (2014: RMB1,617,233,000), which the Group endorsed to its suppliers. The endorsed undue notes receivable will be derecognized if management consider, based on its 'risks and rewards' evaluation, that the Group has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2015, the undue notes receivable of RMB1,734,198,000 (2014: RMB1,289,067,000) endorsed to its suppliers to settle the trade payables were not derecognized because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognized. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

26 PREPAYMENTS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Purchase prepayments	441,173	529,099
Current portion of loans and receivables (note 21)	143,217	238,663
Loan to a related party (note (a))	27,960	27,960
Loan to a third party (note (b))	200,000	–
Value-added tax recoverable and other tax prepayment	983,422	1,043,257
Interest receivable	46,606	53,542
Other receivables	326,021	260,111
	2,168,399	2,152,632

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

26 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

All of the prepayments and other receivables are expected to be recovered within one year.

Note:

- (a) Loan to a related party of the Group is provided to Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material"). The loan agreement has been renewed in 2015.
- (b) Loan to a third party of the Group is provided to Chaodong Cement which will be matured on 10 June 2016.

27 AMOUNTS DUE FROM/TO RELATED PARTIES

	2015 RMB'000	2014 RMB'000
Amounts due from:		
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") 安徽海螺川崎工程有限公司	115,312	30,623
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	14,710	–
Conch Kawasaki Equipment	89,595	142,811
Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院	58,492	51
Chengli Building Material	19,753	16,369
Qingsong Building Materials and Chemicals	6,567	4,671
Hwasu Corporation 安徽華塑股份有限公司	–	9,704
Other related parties	11,650	8,525
	316,079	212,754

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	2015 RMB'000	2014 RMB'000
Amounts due to:		
CK Engineering	54,387	115,035
CK Equipment	48,936	71,229
Conch Kawasaki Equipment	88,399	93,258
Wuhu Sanshan Conch Port Co., Ltd. ("Sanshan Port") 蕪湖三山海螺港務有限公司	15,880	1,917
Conch Design Institute	1,009	13,703
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺資訊技術工程有限公司	5,687	2,441
Papua Cement	86,161	-
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	-	21,531
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限責任公司	8,235	60
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	7,657	23,660
Other related parties	2,692	7,482
	319,043	350,316

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 40. The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Bank deposits with maturity within three months	23,464	8,524,500
Cash at bank and on hand	4,261,570	3,987,621
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	4,285,034	12,512,121

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		10,085,520	14,927,042
Adjustments for:			
Depreciation	7(c)	4,212,119	3,599,240
Reversal of impairment loss on trade and other receivables	7(c)	(140)	(580)
Amortisation of interest in leasehold land held for own use under operating leases	7(c)	106,917	96,795
Amortisation of intangible assets	7(c)	140,283	131,734
Finance costs	7(a)	962,821	1,038,936
Interest income	6	(452,428)	(419,999)
Share of losses of associates		37,815	55,228
Share of losses of joint ventures		21,644	4,250
Net (gain)/loss on disposal of property, plant and equipment and lease prepayments	6	(69,627)	4,022
Net realised and unrealised gains on derivative financial instruments	6	(83,584)	(29,889)
Net gain on disposal of available-for-sale equity	6	(648,699)	-
Net gain on disposal of interest in an associate	6	(1,152,149)	-
Dividend income from listed securities	6	(9,385)	(29,492)
Bargain purchase gain		-	(13,090)
Before changes in working capital carried forward		13,151,107	19,364,197

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations (continued)

	2015 RMB'000	2014 RMB'000
Before changes in working capital carried forward	13,151,107	19,364,197
Changes in working capital:		
Decrease/(increase) in inventories	161,262	(577,354)
(Increase)/decrease in trade receivables	(668,971)	3,397,687
Decrease in prepayments and other receivables	61,879	190,383
(Increase)/decrease in amounts due from related parties	(57,141)	1,693
Decrease in trade payables	(142,172)	(304,380)
Increase/(decrease) in other payables and accruals	363,446	(418,728)
Increase/(decrease) in amounts due to related parties	94,707	(251,719)
Decrease in long-term payables	(7,576)	(4,620)
Increase in deferred income	22,553	97,043
Cash generated from operations	12,979,094	21,494,202

29 TRADE PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	3,872,683	4,014,855

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 TRADE PAYABLES (CONTINUED)

Included in trade payables are trade creditors with the following aging analysis based on invoice dates as of the statement of financial position date:

	2015 RMB'000	2014 RMB'000
Within 1 year (inclusive)	3,832,499	3,984,848
Between 1 year and 2 years (inclusive)	28,721	22,830
Between 2 years and 3 years (inclusive)	9,015	4,577
Over 3 years	2,448	2,600
	3,872,683	4,014,855

30 OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Construction cost payables	1,898,669	2,124,249
Receipts in advance from customers	1,268,703	1,079,802
Deposits from suppliers	637,271	546,985
Retention monies	540,708	624,873
Expense accruals	165,203	181,107
Value-added tax payables	147,268	157,424
Other taxes payables	565,788	314,106
Interest payable	346,409	350,512
Dividend payable	153,766	200,000
Payables for acquisition of subsidiaries	1,079,681	971,012
Payroll payables	582,762	521,634
Other payables	119,804	117,069
	7,506,032	7,188,773

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

31 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	2015 RMB'000	2014 RMB'000
Bank loans (note 33)		
– unsecured	1,440,545	1,671,895
Unsecured debentures (note 32 (b)(i))	6,997,430	–
Other borrowings		
– secured	–	650,000
– unsecured	7,273	7,273
	8,445,248	2,329,168

At 31 December 2015, other unsecured borrowings of the Group represent national debt loan (國債轉貸) provided by the Anhui Provincial Department of Finance.

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

Notes to the financial statements

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32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	2015 RMB'000	2014 RMB'000
Bank loans (note 33)		
– unsecured	2,239,128	2,089,975
Unsecured debentures (note (b)(i))	8,493,281	15,482,555
Other borrowings		
– unsecured (note (b)(ii))	7,273	14,546
	10,739,682	17,587,076

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule of non-bank borrowings:

- (i) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carried fixed annual interest rate of 5.08% and 5.20% respectively, which will be repaid annually. The principal of the 5-year bond is fully repayable on 23 May 2016 and the 7-year bond is fully repayable on 23 May 2018. The 5-year bond has been reclassified to the current borrowings as of 31 December 2015.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years (“5-year bond”) and RMB3,500,000,000 with a maturity period of 10 years (“10-year bond”). The 5-year bond and the 10-year bond carried fixed annual interest rate of 4.89% and 5.10% respectively, which will be repaid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Anhui Conch Holdings Co., Ltd. (“Conch Holdings”) (安徽海螺集團有限責任公司) provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

- (ii) Other unsecured borrowings represent national debt loan (國債轉貸) provided by the Anhui Provincial Department of Finance. The loan bears interest at a rate of 3.05% (2014: 3.30%) per annum and is repayable in June 2017.

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33 BANK LOANS

At 31 December 2015, the bank loans were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand (note 31)	1,440,545	1,671,895
After 1 year but within 2 years	320,728	792,000
After 2 years but within 5 years	1,336,986	1,088,000
After 5 years	581,414	209,975
Total non-current bank loans (note 32 (a))	2,239,128	2,089,975
	3,679,673	3,761,870

At 31 December 2015, unsecured bank loans of the Group totalling RMB208,000,000 (2014: RMB341,265,000) were guaranteed by Conch Holdings. Unsecured bank loans of the Group totalling RMB548,500,000 (2014: RMB463,000,000) were guaranteed by Guizhou Panjiang Investment Holdings ("Panjiang Investment"). Panjiang Investment is the non-controlling shareholder of Zunyi Conch, Tongren Conch, Guiyang Conch and Guiding Conch. Unsecured bank loans of the Group totalling RMB39,200,000 (2014:Nil) were guaranteed by Liuzhi Gongkuang Investment Holdings ("Gongkuang Investment"). Gongkuang Investment is the non-controlling shareholder of Liukuang Ruian Cement.

At 31 December 2015, total banking facilities of the Group amounted to RMB89,482,030,000 (2014:RMB76,088,948,000). These facilities were utilised to the extent of RMB3,679,673,000 (2014:RMB3,761,870,000) as at 31 December 2015.

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34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
Provision for PRC		
Corporate Income Tax for the year (note 8(a))	2,632,593	3,414,881
PRC Corporate Income		
Tax paid for current year	(2,717,691)	(3,061,652)
	(85,098)	353,229
Representing:		
Tax recoverable	(344,253)	(158,707)
Tax payable	259,155	511,936
	(85,098)	353,229

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowances and impairment	Unrealised profits (note)	Arising from business combination	Tax losses	Depreciation of fixed asset	Deferred income	Provisions	Fair value change of available-for- sale equity securities (Note 11)	Fair value change of derivatives and trading securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:										
At 1 January 2014	(14,056)	(103,070)	218,538	(104,907)	-	-	(144)	(139,626)	(614)	(143,879)
Charged/(credited) to income statement	410	(70,656)	(9,662)	21,792	12,987	(15,042)	144	-	5,329	(54,698)
Arising from acquisitions	-	-	107,943	-	-	-	-	-	-	107,943
Charged to reserves	-	-	-	-	-	-	-	329,330	-	329,330
At 31 December 2014	(13,646)	(173,726)	316,819	(83,115)	12,987	(15,042)	-	189,704	4,715	238,696
At 1 January 2015	(13,646)	(173,726)	316,819	(83,115)	12,987	(15,042)	-	189,704	4,715	238,696
Charged/(credited) to income statement	370	(46,356)	(15,064)	(112,157)	(1,510)	(11,087)	-	-	(6,317)	(192,121)
Charged to reserves	-	-	-	-	-	-	-	57,836	-	57,836
At 31 December 2015	(13,276)	(220,082)	301,755	(195,272)	11,477	(26,129)	-	247,540	(1,602)	104,411

Note:

The unrealised profits arose from intra-group sale of inventories and property, plant and equipment and intra-group borrowings, and sale of inventories and property, plant and equipment to/by associates and joint ventures.

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

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34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the statement of financial position

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	(453,936)	(283,477)
Net deferred tax liabilities recognised on the consolidated statement of financial position	558,347	522,173
	104,411	238,696

35 DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
At 1 January	514,140	417,097
Government grants received (note)	80,223	145,713
Recognised in the statement of profit or loss	(57,670)	(48,670)
At 31 December	536,693	514,140

Note:

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for property, plant and equipment improvement, such as energy-efficiency improvement. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective assets. There are no unfulfilled conditions and contingencies relating to the grants.

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

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36 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The company

	Note	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		5,299,303	16,579,355	217,270	2,649,654	(418,880)	24,365,154	48,691,856
Changes in equity for 2014:								
Total comprehensive income		-	-	-	-	987,990	14,428,855	15,416,845
Dividends approved in respect of the previous year	36(b)	-	-	-	-	-	(1,854,756)	(1,854,756)
Balance at 31 December 2014		5,299,303	16,579,355	217,270	2,649,654	569,110	36,939,253	62,253,945
Balance at 1 January 2015		5,299,303	16,579,355	217,270	2,649,654	569,110	36,939,253	62,253,945
Changes in equity for 2015:								
Total comprehensive income		-	-	-	-	173,508	10,144,046	10,317,554
Dividends approved in respect of the previous year	36(b)	-	-	-	-	-	(3,444,547)	(3,444,547)
Balance at 31 December 2015		5,299,303	16,579,355	217,270	2,649,654	742,618	43,638,752	69,126,952

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

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.43(2014: RMB0.65) per ordinary share	2,278,700	3,444,547

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.65 (2014: RMB0.35) per ordinary share	3,444,547	1,854,756

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

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	2015		2014	
	No. of shares (‘000)	Amount RMB‘000	No. of shares (‘000)	Amount RMB‘000
Registered:				
H shares of RMB1 each	1,299,600	1,299,600	1,299,600	1,299,600
A shares of RMB1 each	3,999,703	3,999,703	3,999,703	3,999,703
	5,299,303	5,299,303	5,299,303	5,299,303
Issued and fully paid:				
H shares of RMB1 each	1,299,600	1,299,600	1,299,600	1,299,600
A shares of RMB1 each	3,999,703	3,999,703	3,999,703	3,999,703
	5,299,303	5,299,303	5,299,303	5,299,303

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in October 1997 at an issue price of Hong Kong Dollars (the “HK\$”) 2.28 per share. The H shares were listed on the Stock Exchange of Hong Kong Limited on 21 October 1997.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on the SSE on 7 February 2002.

The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of HK\$8.20 per share in November 2003.

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

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(i) *Registered and issued share capital (continued)*

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company remained unchanged. The State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province ("SASAC") approved the Proposal on 15 February 2006.

On 1 March 2007, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company at 31 December 2006) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to Anhui Conch Venture Investment Co.Limited ("CV Investment") (安徽海螺創業投資有限責任公司) as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

On 25 February 2008, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 4% of the total issued shares of the Company at 31 December 2007) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 3 March 2008.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB57.38 per share, ranking pari passu with the then existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

On 25 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 shares with trading restrictions (representing approximately 28% of the total issued shares of the Company at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 shares with trading restrictions on 2 March 2009.

On 20 May 2010, the board of directors of the Company applied to the SSE for the listing of the 310,754,000 shares with trading restrictions (representing approximately 18% of the total issued shares of the Company at 31 December 2009) in the Company held by Conch Holdings, CV Investment and Ping An Trust and Investment Co., Ltd. on the SSE. The SSE approved the listing of such 310,754,000 shares with trading restrictions on 26 May 2010.

A shares and H shares rank pari passu in all respects, except that ownership of A shares is restricted to PRC nationals and legal persons and qualified foreign investment institutions, while H shares can only be owned and traded by investors outside mainland China. Dividends on A shares are payable in RMB, while dividends on H shares are payable in HK\$.

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Capitalisation issue

The 2010 Annual General Meeting held on 31 May 2011 approved the bonus issue of 5 shares for every 10 shares held by the shareholders as at 15 June 2011. As a result, the issued share capital of the Company increased from RMB3,532,868,000 to RMB5,299,303,000 after capitalization of share premium of RMB1,766,435,000.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents net assets acquired from Conch Holdings in excess of the par value of shares issued, and proceeds from the issuance of H shares and A shares (or fair value of A shares) issued in excess of their par value, net of underwriting commissions, professional fees and other reorganisation costs for listing purpose.

(ii) Capital reserve

The capital reserve comprises the following:

- the differences between the cost of acquisition of non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired; and
- cash contributed by Conch Holdings.

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with CAS to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of the Company or any of its subsidiaries, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company and each subsidiary should be maintained at a minimum of 25% of the registered capital after utilisation.

For the year ended 31 December 2015, the subsidiaries of the Company appropriated the statutory surplus reserve in accordance with the articles of association. No statutory surplus reserve was appropriated for the Company in 2015, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the statement of financial position date and is dealt with in accordance with the accounting policy set out in note 2(g).

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(v) Retained earnings

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) CAS and regulations, and (ii) IFRSs.

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB43,638,752,000 (2014:RMB36,939,253,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio which is total liabilities divided by total assets.

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36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio (total liability/total asset) at a reasonable level. The Group's gearing ratio as at 31 December 2015 was 30% (2014: 32%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In addition, the Group normally receives deposits from customers before delivery of products. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2015: 37% (2014: 48%) of the total trade receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Group does not provide any guarantees which would expose Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 25 and 26.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2015					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	3,872,683	-	-	-	3,872,683	3,872,683
Other payables and accruals	7,506,032	-	-	-	7,506,032	7,506,032
Bank loans and other borrowings	9,356,179	3,285,744	4,431,344	4,798,739	21,872,006	19,184,930
Amounts due to related parties	319,043	-	-	-	319,043	319,043
	21,053,937	3,285,744	4,431,344	4,798,739	33,569,764	30,882,688

	2014					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade payables	4,014,855	-	-	-	4,014,855	4,014,855
Other payables and accruals	7,188,773	-	-	-	7,188,773	7,188,773
Bank loans and other borrowings	3,225,287	8,666,007	7,127,612	4,277,572	23,296,478	19,916,244
Amounts due to related parties	350,316	-	-	-	350,316	350,316
Long-term payables	1,959	5,617	-	-	7,576	7,576
	14,781,190	8,671,624	7,127,612	4,277,572	34,857,998	31,477,764

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

Notes to the financial statements

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and long-term payables. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 31, 32 and 33. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period.

	2015		2014	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000
Net fixed rate borrowings:				
Bank loans	2.26%~3.92%	230,000	3.12%	150,000
Other borrowings	4.89%~5.20%	15,490,711	4.89% ~5.32%	16,132,555
Less: Loans and receivables	4.60%~6.31%	(98,310)	6.15% ~ 6.65%	(230,000)
Prepayments and other receivables	4.60%~6.40%	(290,460)	6.15% ~ 6.65%	(136,960)
Restricted cash deposits	1.32%~4.25%	(184,987)	2.25% ~ 5.10%	(139,485)
Bank deposits with maturity over three months	3.17%~3.95%	(10,000,000)	5.10%	(1,500,000)
Cash and cash equivalents	0.75%~1.00%	(23,464)	3.05% ~ 6.10%	(8,524,500)
		5,123,259		5,751,610

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

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	2015		2014	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Variable rate borrowings:				
Bank loans	1.53% ~ 5.40%	3,449,673	1.84% ~ 5.90%	3,611,870
Other borrowings	3.05%	14,546	3.30%	21,819
Less: Restricted cash deposits	0.01%	(1,425)	—	—
Cash and cash equivalents	0.02%~1.50%	(4,261,074)	0.35% ~ 1.38%	(3,987,320)
		(798,280)		(353,631)
Total net borrowings		4,325,210		5,397,979

The interest rate of the variable rate borrowings of the Group is based on the base rate announced by the People's Bank of China.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB5,298,000 (2014:RMB2,334,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2014.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, bank loans and other borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. Currently, the management does not enter into currency hedging transactions. The Group manages this risk as follows:

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date (Indonesia Rupiah referred to as "IDR", United States Dollar referred to as "USD"):

	Exposure to foreign currencies (expressed in RMB'000)			
	2015		2014	
	USD	IDR	USD	IDR
Trade receivables	85,496	94	59,342	56
Cash and cash equivalents	319,443	37,002	4,022,060	12,760
Bank loans and other borrowings	(811,051)	-	(275,355)	-
Other payables and accruals	(31,598)	(2,478)	(19,817)	(11,310)
Gross exposure arising from recognized assets and liabilities	(437,710)	34,618	3,786,230	1,506
Notional amounts of forward exchange contracts	(292,212)	-	(440,568)	-
Notional amounts of exchange option contracts	-	-	(73,428)	-
Net exposure arising from recognised assets and liabilities	(729,922)	34,618	3,272,234	1,506

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(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
USD	1%	5,474	1%	(24,542)
IDR	1%	(260)	1%	(11)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2014.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities and available-for-sale equity securities (see notes 22).

The Group mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

It is estimated that an increase/decrease of 1% (2014: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's retained profits and fair value reserve as follows:

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

	2015		2014	
	Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000
Change in quoted share price				
Increase	1%	- 24,372	1%	- 29,515
Decrease	(1%)	- (24,372)	(1%)	- (29,515)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2014.

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

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

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

	Fair value measurements as at 31 December 2015 using			
	Fair value at 31 December 2015 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	3,249,600	3,249,600	–	–
Financial liability:				
Derivative financial instruments	(6,393)	–	(6,393)	–
	3,243,207	3,249,600	(6,393)	–
	Fair value measurements as at 31 December 2014 using			
Fair value at 31 December 2014 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments	20,343	–	20,343	–
Available-for-sale equity securities:				
– Listed	3,935,395	3,935,395	–	–
Financial liability:				
Derivative financial instruments	(1,473)	–	(1,473)	–
	3,954,265	3,935,395	18,870	–

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014 except as follows:

	2015		2014	
	Carrying amount RMB'000	Carrying Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Current bank loans and other borrowings	8,445,248	8,501,566	2,329,168	2,334,919
Non-current bank loans and other borrowings	10,739,682	10,834,373	17,587,076	17,635,967
	19,184,930	19,335,939	19,916,244	19,970,886

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the statement of financial position date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE as at 31 December 2015.

(ii) Derivatives

Forward exchange contracts and foreign exchange swap contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Foreign exchange option contracts are determined using option model and observable inputs.

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, or based on the quoted market prices at the statement of financial position date without any deductions for transaction costs if available.

(iv) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loans. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(v) Interest rates used for determining fair value

The entity uses the market rate of bank loans as of 31 December 2015 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2015	2014
Bank loans and other borrowings	3.92% ~4.90%	5.60% ~ 6.15%
Loans and receivables	4.35%	6.00%

38 COMMITMENTS

- (a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	2,071,104	2,416,216
Authorised but not contracted for	3,787,573	5,518,527
	5,858,677	7,934,743

- (b) At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year (inclusive)	2,531	-
After 1 year but within 5 years (inclusive)	-	-
After 5 years	-	-
Total	2,531	-

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 COMMITMENTS (CONTINUED)

- (c) As disclosed in note 40(b)(ix) note(i), the Company is committed to pay trademark licence fees to Conch Holdings at RMB1,513,000 (2014: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

39 CONTINGENT LIABILITIES

At 31 December 2015, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB3,734,132,000 (2014: RMB3,278,605,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB370,000,000(2014: Nil). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2015, outstanding letters of credit issued by the Group amounted to RMB69,426,000 (2014: RMB135,761,000).

At 31 December 2015, the Group has issued guarantees to banking facilities of its related parties, Papua Cement and Sino-Myanmar International, amounting to RMB1,177,738,000 in aggregate (2014: Nil). These facilities were utilised to the extent of RMB650,458,000 (2014:Nil) as at 31 December 2015.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and joint ventures of the Group as disclosed in notes 19 and 20 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
China Conch Venture Holdings Limited ("China Conch Venture") 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
CV Investment 安徽海螺創業投資有限責任公司	Shareholder of the Company some directors of the Company are also directors and equity holders of CV Investment
Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science") 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Venture Wuhu 蕪湖海創實業有限責任公司	Subsidiary of China Conch Venture
CK Engineering 安徽海螺川崎工程有限公司	Subsidiary of China Conch Venture
CK Equipment 安徽海螺川崎節能設備製造有限公司	Subsidiary of China Conch Venture
HC Port 揚州海昌港務實業有限責任公司	Subsidiary of China Conch Venture
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") 安徽海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") 亳州海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Wuhu Conch Investment Ltd. ("WH Investment") 蕪湖海螺投資有限公司	Subsidiary of China Conch Venture
Conch Venture Property 蕪湖海創置業有限責任公司	Subsidiary of CV investment
Sanshan Port 蕪湖三山港務有限公司	Subsidiary of CV investment

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

Notes to the financial statements (continued)

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV investment
Shanghai Haiyi Shipping Co., Ltd. ("Shanghai Haiyi") 上海海一航運有限公司	Subsidiary of CV investment
Shanghai Conch International Investment Co., Ltd ("Conch IID Shanghai") 上海海螺國際投資發展有限公司	Subsidiary of CV investment
Wuhu Xinyuan Ship Building Industry Co., Ltd ("Xinyuan Ship Building") 蕪湖新遠船業修造有限公司	Subsidiary of Conch IID Shanghai
Conch Kawasaki Equipment 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Papua Cement 印尼巴布亞水泥有限公司	Joint venture of the Company, a director of the Company is also a director of Papua Cement
Sino-Myanmar International 中緬(蕪湖)國際貿易有限公司	Joint venture of the Company
Myanmar Conch 緬甸海螺水泥有限責任公司	Joint venture of the Company
Qingsong Building Materials and Chemicals 新疆青松建材化工(集團)股份有限公司	Associate of the Company

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

Notes to the financial statements (continued)

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
King Bridge Cement 安徽朱家橋水泥有限公司	Associate of the Company
Chengli Building Material 建德市成利建材有限公司	In trust of a subsidiary of the Company
Hwasu Corporation 安徽華塑股份有限公司	In trust of a subsidiary of the Company before 30 Apr 2015
Gaolin Building Material 重慶高林建材有限公司	In trust of a subsidiary of the Company before 5 May 2014
Haibao Cement 德保縣海寶水泥有限責任公司	In trust of a subsidiary of the Company before 8 Dec 2014
Dragon Mountain 英德龍山水泥有限責任公司	Same ultimate holding company with Prosperity Minerals (International) Limited*

- * Prosperity Minerals (International) Limited is non-controlling shareholder of Prosperity Conch, which is a subsidiary of the Company. Pursuant to the amendments to the listing rules effected on 1 July 2014, as Prosperity Conch is not a material subsidiary of the Company, Dragon Mountain is not the Group's related party since then.

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2015 RMB'000	2014 RMB'000
Conch Kawasaki Equipment	35,871	33,264
CK Equipment	6,386	9,668
Conch Profiles and Science	1,808	2,942
Sanshan Port	481	13,403
Dragon Mountain	–	20,290
CV Investment	902	886
HC Port	127	4,698
Gaolin Building Material	–	1,827
Haibao Cement	–	24,220
Chengli Building Material	58,310	62,794
Qingsong Building Materials and Chemicals	3,952	11,633
Papua Cement	26,617	5,039
Conch Venture Wuhu	–	1,809
Sino-Myanmar International	4,360	–
Myanmar Conch	12,103	–
Conch Venture Green	1,538	92
Other related parties	2,552	1,840
	155,007	194,405

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Notes to the financial statements (continued)

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(ii) Sales of property, plant and equipment

	2015 RMB'000	2014 RMB'000
Conch Design Institute	267,617	340,124
Papua Cement	111,261	–
	378,878	340,124

(iii) Purchase of goods

	2015 RMB'000	2014 RMB'000
Sanshan Port	127,564	127,082
Conch Profiles and Science	7,810	7,765
CK Equipment	55,491	110,847
Conch Kawasaki Equipment	114,162	101,084
Dragon Mountain	–	204,360
King Bridge Cement	770	3,171
Other related parties	68	35
	305,865	554,344

(iv) Purchase of property, plant and equipment

	2015 RMB'000	2014 RMB'000
CK Engineering	97,152	327,406
CK Equipment	109,205	181,197
Conch Kawasaki Equipment	381,220	479,337
Conch Venture Wuhu	–	41,026
Xinyuan Ship Building	23,466	16,205
	611,043	1,045,171

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(v) Provision of services

	2015 RMB'000	2014 RMB'000
Conch Profiles and Science	1,908	2,624
Conch Design Institute	839	725
Conch Kawasaki Equipment	5,652	6,356
Myanmar Conch	1,332	–
Papua Cement	10,071	–
WH Investment	3,351	–
Dragon Mountain	–	5,239
HC Port	–	1,846
Other related parties	420	272
	23,573	17,062

(vi) Receiving services

	2015 RMB'000	2014 RMB'000
Conch Design Institute	31,990	31,523
Conch IT Engineering	40,816	32,304
CK Engineering	16,515	21,959
HC Port	56,172	53,024
CV Investment	4,773	5,291
Shanghai Haiyi	137,277	135,983
Conch Venture Wuhu	4,265	33,350
Conch IID Shanghai	–	8,669
Other related parties	557	1,373
	292,365	323,476

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(vii) Lending of funds

– Principal

	2015 RMB'000	2014 RMB'000
Sino-Myanmar International	157,809	–
Papua Cement	59,980	–
	217,789	–

– Principal Repaid

	2015 RMB'000	2014 RMB'000
Sino-Myanmar International	157,809	–
Papua Cement	59,980	–
	217,789	–

– Interest

	2015 RMB'000	2014 RMB'000
Sino-Myanmar International	3,260	–
Papua Cement	1,437	–
Chengli Building Material	1,701	1,701
	6,398	1,701

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

Notes to the financial statements (continued)

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(viii) Trustee service

	2015 RMB'000	2014 RMB'000
Gaolin Building Material	–	169
Hwasu Corporation	8,266	20,830
	8,266	20,999

(ix) Transactions with Conch Holdings

	2015 RMB'000	2014 RMB'000
Trademark licence fees (note (i))	1,513	1,513
Composite service fees (note (ii))	1,877	1,499
Loan guarantees obtained (note (iii))	15,708,000	15,841,265
Loans repaid	–	1,870,000
Interest on loans	–	26,544
Provision of services and sales of goods	2,394	2,419
	15,713,784	17,743,240

Notes:

- (i) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.
- (ii) Conch Holdings charged the Company a total amount of RMB1,877,000 (2014: RMB1,499,000) for various services rendered and facilities provided during the year ended 31 December 2015.
- (iii) Conch Holdings provided guarantees for certain borrowings of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (notes 32 and 33).

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

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40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(x) *Loan guarantees provided*

	2015 RMB'000	2014 RMB'000
Papua Cement	747,738	–
Sino-Myanmar International	430,000	–
	1,177,738	–

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	8,811	8,964
Post-employment benefits	369	330
	9,180	9,294

Total remuneration is included in "staff costs" (see note 7(b)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Conch Design Institute, Conch Profiles and Science, Conch Holdings and Conch IT Engineering above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
– Investment Property			40,156		32,114
– Other Property, plant and equipment			907,830		975,049
– Lease prepayments			218,741		225,871
Intangible assets			66,133		75,240
Investments in subsidiaries	18		36,836,946		33,359,799
Interest in associates			691,273		1,902,205
Interest in joint ventures			855,579		349,564
Loans and receivables			7,960,000		6,275,000
Available-for-sale equity securities			3,249,600		3,935,395
			50,826,258		47,130,237
Current assets					
Inventories			239,504		465,491
Trade receivables			220,887		311,257
Prepayments and other receivables			8,756,072		8,498,415
Amounts due from subsidiaries			18,956,242		17,688,470
Amounts due from related parties			67,693		15,387
Tax recoverable			22,974		17,486
Restricted cash deposits			94,537		92,610
Bank deposits with maturity over three months			10,000,000		1,500,000
Cash and cash equivalents			1,698,126		9,716,878
			40,056,035		38,305,994

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	2015		2014	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables		207,592		254,735	
Other payables and accruals		843,896		1,226,896	
Bank loans and other borrowings		6,997,430		700,000	
Amounts due to subsidiaries		4,844,187		5,261,694	
Amounts due to related parties		101,777		40,588	
		12,994,882		7,483,913	
Net current assets					
			27,061,153		30,822,081
Total assets less current liabilities					
			77,887,411		77,952,318
Non-current liabilities					
Bank loans and other borrowings		8,493,281		15,482,555	
Deferred income		22,060		23,451	
Deferred tax liabilities		245,118		192,367	
			8,760,459		15,698,373
NET ASSETS					
			69,126,952		62,253,945
CAPITAL AND RESERVES					
	36(a)				
Share capital		5,299,303		5,299,303	
Reserves		63,827,649		56,954,642	
TOTAL EQUITY					
			69,126,952		62,253,945

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

42 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in note 36(b).

43 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2015, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 7, Disclosure initiative	1 January 2017
Amendments to IAS 12, Income taxes – Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 9, Financial instruments (2009)	1 January 2018
IFRS 9, Financial instruments (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures – Mandatory effective date and transition disclosures	1 January 2018
IFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013)	1 January 2018
IFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



13. Documents for Inspection

- (1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department.
- (2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.
- (3) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.
- (4) Annual report published on the website of the Stock Exchange.

Anhui Conch Cement Company Limited
23 March 2016

14. Written Confirmation of the Directors and Members of the Senior Management on the Annual Report of 2015

Pursuant to the requirements and provisions of Securities Law and No. 2: “Content and Format of Annual Reports” of “Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers” (as revised in 2015), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2015 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2015 and its summary have fairly reflected the financial position and operating results of the Company for the year;
2. the audited financial statements of Anhui Conch Cement Co., Ltd. for year 2015 as audited by KPMG Huazhen LLP and KPMG are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2015 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Wang Jianchao	Deputy Chairman and executive Director	Wong Kun Kau	Independent non-executive Director
Tai Kwok Leung	Independent non-executive Director	Zhao Jianguang	Independent non-executive Director
Guo Jingbin	Non-executive Director	Zhang Mingjing	Executive Director
Zhou Bo	Executive Director and chief accountant	Wu Bin	General Manager
Li Qunfeng	Deputy general manger	Li Xiaobo	Deputy general manager
Ding Feng	Deputy general manager	Li Leyi	Chief engineer of technical art
Ke Qiubi	Assistant to general manager	Chen Yongbo	Assistant to general manager
Xia Xiaoping	Deputy chief accountant	Yang Kaifa	Secretary to the Board

23 March 2016

