安徽海螺水泥股份有限公司

ANHUI CONCH CEMENT COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00914)

Results for the year ended 31 December 2016

Revenue of the Company for the Reporting Period amounted to approximately RMB55,931.9 million (in accordance with the International Financial Reporting Standards ("IFRSs")), representing an increase of 9.72% over that of 2015.

Net profit attributable to equity shareholders of the Company for the year 2016 amounted to approximately RMB8,573.87 million (in accordance with the IFRSs), representing an increase of 13.73% over that of 2015.

Earnings per share for the year 2016 were RMB1.62 (in accordance with the IFRSs), representing an increase of 13.73% over that of 2015.

Unless otherwise stated, the currency unit in this announcement is Renminbi ("RMB"), the lawful currency of the People's Republic of China ("PRC"). Unless otherwise stated, the financial information in this announcement is prepared in accordance with the China Accounting Standards for Business Enterprises (2006) ("PRC Accounting Standards").

I. Basic Corporate Information of the Company

1. Basic information

Company Name	Anhui Conch Cement Company Limited ("the Company", together with its subsidiaries , the "Group")
A Shares stock abbreviation	Conch Cement
A Shares stock code	600585
Exchange on which A shares ("A Shares") are listed	The Shanghai Stock Exchange ("SSE")
H Shares stock code	00914
Exchange on which H shares ("H Shares") are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")

2. Contact persons and means of contact

Title	Company Secretary	Securities affairs representative
Name	Yang Kaifa	Liao Dan
Contact address	No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC	No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Telephone number	0086-553-8398976	0086-553-8398911
Fax number	0086-553-8398931	0086-553-8398931
E-mail address	dms@chinaconch.cn	dms@chinaconch.cn

II. Summary of Accounting Data and Operation Information

1. Financial Summary prepared in accordance with the IFRSs for the year ended 31 December

(Unit: RMB'000)

Item	2016	2015	2014	2013	2012
Revenue	55,931,901	50,976,036	60,758,501	55,261,677	45,766,203
Net profit attributable to equity shareholders of the Company	8,573,868	7,538,700	10,980,917	9,389,298	6,331,103
Total assets	109,514,121	105,781,392	102,253,097	93,094,480	87,523,523
Total liabilities	29,536,289	32,236,883	33,026,013	34,692,721	36,720,402

2. Accounting data prepared in accordance with the PRC Accounting Standards (major accounting data and financial indicators for the preceding three years)

Table 1: *(Unit: RMB'000)*

Item	2016	2015	Year-on-year change (%) between 2016 and 2015	2014
Revenue	55,931,901	50,976,036	9.72	60,758,501
Profit before taxation	11,653,206	10,039,397	16.07	14,882,810
Net profit attributable to equity shareholders of the Company	8,529,917	7,516,385	13.48	10,993,022

Net profit after extraordinary items attributable to equity shareholders of the Company	7,680,938	5,301,375	44.89	10,387,222
Basic earnings per share (RMB/share)	1.61	1.42	13.48	2.07
Diluted earnings per share (RMB/share)	1.61	1.42	13.48	2.07
Basic earnings per share after extraordinary items (RMB/share)	1.45	1.00	44.89	1.96
Diluted return on net assets (%)	11.13	10.66	Increased by 0.47 percentage point	16.60
Weighted average return on net assets (%)	11.59	11.03	Increased by 0.56 percentage point	18.47
Diluted return on net assets after extraordinary items (%)	10.03	7.52	Increased by 2.51 percentage points	15.69
Weighted average return on net assets after extraordinary items (%)	10.44	7.78	Increased by 2.66 percentage points	17.45
Net cash flow generated from operating activities	13,196,752	9,908,174	33.19	17,654,489
Net cash flow per share generated from operating activities (RMB/share)	2.49	1.87	33.19	3.33

Table 2: *(Unit: RMB'000)*

Item	**As at 31 December 2016**	**As at 31 December 2015**	**Year-on-year change (%) between 2016 and 2015**	**As at 31 December 2014**
Total assets	109,514,121	105,781,392	3.53	102,253,097
Total equity attributable to equity shareholders of the Company	76,608,921	70,491,888	8.68	66,216,608
Net assets per share attributable to equity shareholders of the Company (RMB/share)	14.46	13.30	8.68	12.50

Ⅲ. Shareholders

1. Shareholders

(1) As at 31 December 2016, the total number of registered shareholders of the Company was 72,610 of which 138 were registered holders of H Shares. As at 28 February 2017, the total number of registered shareholders of the Company was 66,765 of which 132 were registered holders of H Shares.

(2) As at 31 December 2016, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Name of shareholder	Nature of shareholder	Number of shares held as at 31 December 2016 (share)	Percentage of shareholding (%)	Class of shares
1	Anhui Conch Holdings Co., Ltd.("Conch Holdings")(Note 2)	State-owned legal person	1,948,869,927	36.78	A Share
2	HKSCC Nominees Limited (Note 3)	Foreign legal person	1,297,968,385	24.49	H Share
3	Anhui Conch Venture Investment Co., Ltd.("Conch Venture") (Note 2)	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4	Hong Kong Securities Clearing Company Limited	Foreign legal person	273,165,409	5.15	A Share
5	China Securities Finance Corporation Limited	State-owned legal person	145,754,399	2.75	A Share
6	Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share
7	Genesis Asset Managers, LLP – Customer Funds	Others	50,104,261	0.95	A Share
8	Bank Negara Malaysia	Others	28,279,588	0.53	A Share
9	FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	21,996,378	0.42	A Share
10	Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	Others	21,963,000	0.41	A Share

Notes:

(1) All the above shares are floating shares not subject to trading restrictions.

(2) During the year ended 31 December 2016 ("Reporting Period"), there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such

shares were not subject to any pledge, freezing order or trust.

(3) As at 31 December 2016, HKSCC Nominees Limited held 1,297,968,385 H Shares of the Company, representing 24.49% of the total share capital of the Company, and 99.87% of the total number of H Shares issued by the Company.

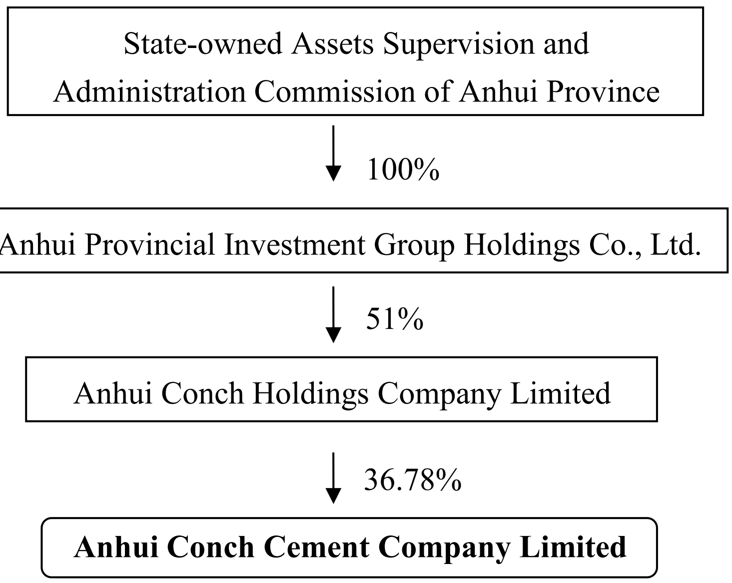
(4) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship under the SSE Listing Rules. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned 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.

2. Information on the controlling shareholder and de facto controller

During the Reporting Period, there was no change in the controlling shareholder or de facto controller of the Company.

As at 31 December 2016, Conch Holdings was the controlling shareholder of the Company and State-owned Assets Supervision and Administration Commission of Anhui Province was the de facto controller of the Company. The shareholding relationship structure between the Company and its de facto controller is set out as follows:



3. Purchase, sale or redemption of listed securities

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IV. Interests of directors, supervisors and chief executive in share capital

During the Reporting Period, none of the directors ("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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Rules Governing the Listing of Securities of the Stock Exchange ("HKSE Listing Rules").

V. Corporate Governance

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.

VI. Review of Annual Report

The financial report and results announcement of the Company for year 2016 have been reviewed by the audit committee of the Board. All of the Directors 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 financial performance, the results of operations and cash flows of the Group. In preparing the financial statements for the Reporting Period, applicable accounting policies have been adopted and applied consistently.

VII. Management Discussion and Analysis

(1) ANALYSIS OF OPERATIONAL CONDITIONS

In 2016, the Group strove to overcome a number of adverse factors including over-capacity, divergence of regional economies and intensified market competition, and seized the opportunities arising from stabilization in fixed asset investment and growth of demands in the cement market. In light of the seasonal characteristics of the industry and the condition of each regional market, the Group adopted the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", achieving stable increase in sales volume and growth in market shares. The Group studied and assessed the market conditions of raw materials and fuels more closely and improved logistics and transportation methods to lower the procurement costs. Moreover, the Group has made efforts to strengthen indicator management and control over production and operation, so as to improve its operation quality and achieve better operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from its principal activities amounted to RMB54.831 billion, representing an increase of 10.26% from that in 2015; the net profit attributable to equity shareholders of the Company amounted to RMB8.53 billion, representing an increase of 13.48% from that in 2015; and earnings per share were RMB1.61, representing an increase of RMB0.19 per share from that in 2015. In accordance with the IFRS, the revenue amounted to RMB55.932 billion, representing an increase of 9.72% from that in 2015; the net profit attributable to equity shareholders of the Company amounted to RMB8.574 billion, representing an increase of 13.73% from that in 2015; and earnings per share were RMB1.62.

During the Reporting Period, the Group continued to promote the construction and the acquisitions and mergers of domestic projects. Six clinker production lines of Yingjiangyunhan Cement Co., Ltd. and Yiyang Conch Cement Co., Ltd. as well as 18 cement grinding units of Wenshan Conch Cement Co., Ltd. and Ganzhou Conch Cement Co., Ltd. had successively completed construction and been put into operation. As a result, the clinker and cement production capacity increased by 9.2 million tonnes and 20.86 million tonnes respectively for the full year. After completion of the transfer of cement assets of former Anhui Chaodong Cement Co., Ltd., the clinker and cement production capacity increased by 5.4 million tonnes and 3.5 million tonnes respectively.

Meanwhile, the Group proactively pushed forward the construction and development of overseas projects. The cement and clinker production lines of the phase-two project of PT Conch South Kalimantan Cement and PT SDIC Papua Cement Indonesia, the Merak grinding mill project as well as the cement and clinker production lines of Myanmar Conch Cement Co., Ltd. had completed construction and been put into production. The construction of the cement projects of Conch North Sulawesi Cement, PT, Battambang of Cambodia and in Luang Prabang of Laos had commenced, and the preliminary works for the projects of Conch Cement Volga Co., Ltd. and Mandalay of Myanmar had made smooth progress.

As at the end of the Reporting Period, the clinker, cement and aggregate production capacity of the Company reached 244 million tonnes, 313 million tonnes and 24.9 million tonnes respectively, of which the clinker and cement production capacity from overseas projects amounted to 4.8 million tonnes and 9.35 million tonnes respectively.

The Group continued to push ahead technology improvement in respect of energy conservation and environmental protection, and tightened supervision and management of subsidiaries' environmental protection activities, insisting on sustainable development of the Group. Apart from construction of residual heat electricity generation units for clinker production lines, the Group also proactively promoted the technology that applies cement kilns to facilitate the treatment of domestic waste, with 15 waste treatment projects established as at the end of the Reporting Period, making great social contribution. The expansion and transformation of the decomposition furnace for the clinker production line, transformation of the three-fan system and the technology improvement of the cement roller press had yielded remarkable result in energy conservation and emission reduction. Upgrading of electric dust collector on all production lines had been completed, with the dust-collecting performance superior to the national emission standard. For detailed description of major measures taken by the Group to comply with the environmental protection policies and regulations and perform its environmental protection responsibilities, please refer to the 2016 social responsibility report of the Company, which will be published on the websites of the SSE, the Stock Exchange and the Company respectively on the same day as the Company's 2016 annual report is released.

(2) SALES MARKET OVERVIEW

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 277 million tonnes, representing a year-on-year growth of 8%.

Markets and Sales by Region

Sales Amount by Region

Region	2016 Sales amount (RMB'000)	2016 Percentage (%)	2015 Sales amount (RMB'000)	2015 Percentage (%)	Changes in sales amount (%)	Change in sales proportion (percentage points)
Eastern China Note 1	15,193,437	27.71	14,100,865	28.36	7.75	-0.65
Central China Note 2	16,139,608	29.43	14,281,637	28.72	13.01	0.71
Southern China Note 3	9,510,794	17.35	8,916,144	17.93	6.67	-0.58
Western China Note 4	11,777,138	21.48	10,533,770	21.18	11.80	0.30
Export and overseas	2,209,660	4.03	1,896,302	3.81	16.52	0.22
Total	**54,830,637**	**100.00**	**49,728,718**	**100.00**	**10.26**	**-**

Notes: *1. Eastern China mainly includes Jiangsu, Zhejiang, Shanghai, Fujian and Shandong;*

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, Shaanxi and Xinjiang.

During the Reporting Period, sales amount of the Group increased by varying degrees between regions.

In **Eastern China** and **Southern China**, the Company seized key projects through market operation and stepped up efforts in exploring end markets, recording a year-on-year increase in sales amount of 7.75% and 6.67% respectively.

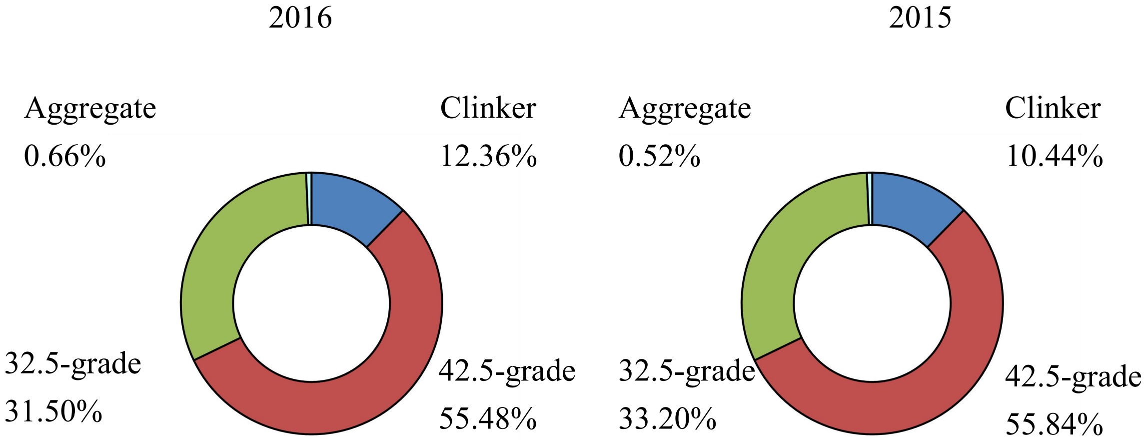
In **Central China** and **Western China**, with the mergers and acquisitions made by the Company and the release of production capacity of the new projects, which further reinforced the Company's market dominance and competitiveness, the sales amount increased by 13.01% and 11.80% respectively on a year-on-year basis.

In respect of **export and overseas business**, as the Company stepped up efforts in exploring the international markets, the export sales amount increased by 7.43% on a year-on-year basis. With the commencement of production of new projects, sales amount recorded by the subsidiaries in Indonesia and other overseas countries increased by 76.86% on a year-on-year basis.

Sales by Type of Products

During the Reporting Period, the sales contribution of the 32.5-grade cement decreased by 1.70 percentage points year-on-year to 31.50%; the sales contribution of the 42.5-grade cement decreased by 0.36 percentage point year-on-year to 55.48%; the sales contribution of clinker increased by 1.92 percentage points year-on-year to 12.36%, and sales contribution of aggregate increased by 0.14 percentage point year-on-year to 0.66%.

Percentage of sales amount by type of products



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

(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 (%)
	2016 (RMB'000)	2015 (RMB'000)	
Revenue from principal activities	54,830,637	49,728,718	10.26
Profit from operations	10,760,256	8,666,508	24.16
Profit before taxation	11,653,206	10,039,397	16.07
Net profit attributable to equity shareholders of the Company	8,529,917	7,516,385	13.48

During the Reporting Period, benefitting from growth in product sales volume, rise in prices and decrease in costs, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year increase of 24.16%, 16.07% and 13.48% respectively.

Gross profit margin by type of products in 2016 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	30,420,375	20,651,869	32.11	27.14	4.97
32.5-grade cement	17,271,491	10,816,743	37.37	31.24	6.13
Clinker	6,776,176	5,156,812	23.90	22.24	1.66
Aggregate and carpolite	362,595	195,368	46.12	45.95	0.17
Total	**54,830,637**	**36,820,792**	**32.85**	**28.09**	**4.76**

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

During the Reporting Period, benefitting from rise in product prices and decrease in costs, the consolidated gross profit margin recorded a year-on-year increase of 4.76 percentage points to 32.85%, among which, the gross profit margins of the 42.5-grade cement, the 32.5-grade cement and the clinker increase by 4.97 percentage points, 6.13 percentage points and 1.66 percentage points on a year-on-year basis respectively.

(4) ANALYSIS OF COSTS AND EXPENSES

Consolidated costs of cement and clinker in 2016 and their year-on-year changes

Item	2016		2015		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/ tonne)	Percentage (%)	Unit costs (RMB/ tonne)	Percentage (%)		
Raw materials	22.88	17.30	24.32	17.51	-5.92	-0.21
Fuel and power	78.30	59.19	80.91	58.25	-3.23	0.94
Depreciation expense	12.55	9.49	12.90	9.29	-2.71	0.20
Labor cost and others	18.55	14.02	20.77	14.95	-10.69	-0.93
Total	132.28	100.00	138.90	100.00	-4.77	-

During the Reporting Period, the consolidated costs of the Group decreased by 4.77% or RMB6.62/tonne year-on-year to RMB132.28/tonne, which was mainly due to the decrease in raw material costs and decline in consumption of coal, electricity, etc.

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

Expenses for the period	**2016 Amount (RMB'000)**	**2015 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	3,276,414	3,105,094	5.98	6.24	-0.26
Administrative expenses	3,143,600	3,177,596	5.73	6.39	-0.66
Financial expenses (net)	336,857	569,501	0.61	1.15	-0.54
Total	**6,756,871**	**6,852,191**	**12.32**	**13.78**	**-1.46**

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate as a percentage to revenue generated from principal activities was 12.32%, decreased by 1.46 percentage points as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in revenue. The Group's selling, administrative and financial expenses in aggregate per tonne decreased by 8.68% or RMB2.32/tonne year-on-year to RMB24.40/tonne, which was mainly attributable to the increase in sales volume of products.

(5) FINANCIAL POSITION

Asset and Liability Overview

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

Item	**31 December 2016 (RMB'000)**	**31 December 2015 (RMB'000)**	**Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)**

Fixed assets	62,278,022	61,695,521	0.94
Current and other assets	47,236,099	44,085,871	7.15
Total assets	109,514,121	105,781,392	3.53
Current liabilities	17,049,224	20,402,162	-16.43
Non-current liabilities	12,166,126	11,467,659	6.09
Total liabilities	29,215,350	31,869,821	-8.33
Minority interests	3,689,850	3,419,683	7.90
Equity attributable to shareholders of the Company	76,608,921	70,491,888	8.68
Total liabilities and equity	**109,514,121**	**105,781,392**	**3.53**

As at 31 December 2016, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB109,514 million and RMB29,215 million respectively, representing an increase of 3.53% and a decrease of 8.33% respectively as compared to those at the end of the previous year; the current liabilities amounted to RMB17,049 million, representing a decrease of 16.43% as compared to those at the end of the previous year, which was mainly due to the repayment of corporate bonds due within one year during the Reporting Period; and non-current liabilities amounted to RMB12,166 million, representing an increase of 6.09% as compared to those at the end of the previous year, which was mainly due to the increase in long-term borrowings of the Group. As at 31 December 2016, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 26.68%, representing a decrease of 3.45 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 on the contingent liabilities of the Group.

As at 31 December 2016, equity attributable to shareholders of the Company amounted to RMB76,609 million, representing an increase of 8.68% as compared to that at the end of the previous year; net assets per share attributable to shareholders of the Company amounted to RMB14.46, representing an increase of RMB1.16/share as compared to that at the end of the previous year.

As at 31 December 2016, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB29,394 million and RMB17,049 million respectively, with a current ratio of 1.72:1 (corresponding period last year: 1.28:1). The year-on-year increase in current ratio was mainly due to the repayment of current liabilities due within one year. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB29.583 billion and RMB17.049 billion respectively, with net gearing ratio of 0.10 (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 2016 is as follows:

	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Due within 1 year	2,037,987	1,447,818
Due after 1 year but within 2 years	2,209,147	328,001
Due after 2 years but within 5 years	2,883,278	1,336,986
Due after 5 years	354,825	581,414
Total	**7,485,237**	**3,694,219**

As at 31 December 2016, the Group's aggregate bank borrowings were RMB7,485 million, representing an increase of RMB3,791 million as compared to those at the beginning of the year. The increase was mainly attributable to the additional borrowings of the Group's subsidiaries during the Reporting Period. Please refer to note 8 to the financial statements prepared in accordance with the PRC Accounting Standards for information on the borrowings bearing fixed interest rate.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB8.5 billion, of which RMB2.5 billion would be due within 1 year, RMB2.5 billion would be due after 1 year but within 2 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

	2016 (RMB'000)	2015 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	13,196,752	9,908,174	33.19
Net cash flows generated from investment activities	-4,552,247	-12,719,267	64.21
Net cash flows generated from financing activities	-7,150,950	-5,395,324	−32.54

Effect of exchange rate movement on cash and cash equivalents	20,978	-20,670	201.49
Net increase/(decrease) in cash and cash equivalents	1,514,533	-8,227,087	118.41
Balance of cash and cash equivalents at the beginning of the year	4,285,034	12,512,121	-65.75
Balance of cash and cash equivalents at the end of the year	5,799,567	4,285,034	35.34

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB13.2 billion, representing an increase of RMB3.3 billion as compared to that of last year. Such increase was mainly due to the increase in the Group's revenue.

During the Reporting Period, the Group's net cash outflows from investment activities decreased by RMB8.2 billion as compared to that of last year, mainly due to the decrease in the Group's term deposits with a maturity of over three months as compared to that of last year.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB1.8 billion as compared to that of last year, primarily attributable to the increase in the Group's repayment of bonds due within one year as compared to that of last year.

(6) CAPITAL EXPENDITURE

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB7.111 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 2016, 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 2016 (RMB'000)	**As at 31 December 2015 (RMB'000)**
Authorized and contracted for	2,057,963	2,071,104
Authorized but not contracted for	3,062,212	3,787,573
Total	**5,120,175**	**5,858,677**

(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	357,870	-	-	-	325,888
2. Financial assets at fair value through profit or loss	-	-	-	-	-
Of which: derivative financial assets	-	-	-	-	-
3.Loans and receivables	85,590	-	-	-	70,342
4.Available-for-sale financial assets	-	-	-	-	-
5. Investment held to maturity	-	-	-	-	-
Financial assets sub-total	443,460	-	-	-	396,230
Financial liabilities					
Of which: 1.Financial liabilities carried at amortized cost	845,127		-	-	1,325,389
2.Financial liabilities at fair value through profit or loss	6,393	-6,393	-	-	-
Of which: derivative financial liabilities	6,393	-6,393	-	-	-
Financial liabilities sub-total	851,520	-6,393	-	-	1,325,389

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated, Rupiah-denominated and Euro-denominated assets which included receivables and cash and cash equivalents, equivalent to RMB70.34 million and RMB325.89 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included short-term borrowings and long-term borrowings, equivalent to RMB225.21 million and RMB1,100.18 million respectively.

OUTLOOK FOR 2017

In 2017, 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 about 6.5% is anticipated. (Source: Government Work Report of 2017)

In 2017, the fixed asset investments in the PRC will show a trend of slow and stable growth. The PRC government will continue to increase infrastructure investments such as railways, subways, roads and hydraulic engineering projects. It will proactively facilitate the construction of projects such as urban underground comprehensive pipeline network and maintain a relatively rapid growth rate in infrastructure investments. Although the real estate investments will represent a steadily declining trend, it is expected that demands in the cement market will continue to grow at a slow pace. On the supply side, the implementation of the Guiding Opinions on Promoting Steady Growth, Structural Adjustments and Efficiency Enhancement of the Building Material Industry (Guobanfa [2016] No.34) (《關於促進建材工業穩增長調結構增效益的指導意見》(國辦發[2016] 34 號文)) and the relevant polices, as well as the accelerated elimination of backward production capacity by the government through strict enforcement of environmental protection law and product upgrade will help to mitigate the imbalance between supply and demand in the cement industry. Meanwhile, the PRC government encourages and supports mergers and acquisitions and restructuring of the cement industry, with an aim to promote industrial restructuring and upgrade.

Seizing the opportunities arising from the restructuring of the cement industry in the PRC and adhering to its established principles and standards, the Group will proactively and prudently carry out mergers and acquisitions of projects and equity cooperation, so as to further improve its domestic market planning. Furthermore, the Group will rigorously promote the aggregate business and extend the industrial chain of upstream and downstream businesses, so as to facilitate sustainable development of the Company. Meanwhile, the Group will continue to proactively and prudently promote the implementation of its internationalization strategies. The Group will make efforts to push ahead with the construction of the cements projects in North Sulawesi of Indonesia, Battambang of Cambodia and Luang Prabang of Laos. The Group will roll out preparation works for marketing campaigns to create favorable conditions for product launch. The Group will expedite the preparation of the preliminary works for the projects in Mandalay of Myanmar and Conch Cement Volga Co., Ltd., with an aim to kick off the projects as soon as possible.

In 2017, the Group's capital expenditure is expected to be approximately RMB9 billion, which will be funded primarily by internal resources and supplemented by bank loans and will mainly be used in the construction of projects, technology improvement projects and for expenditures of acquisition and merger projects. It is expected that the clinker and cement production capacity will increase by approximately 3.6 million tonnes and 23.6 million tonnes respectively for the full year (exclusive of production capacity acquired).

In respect of operation management, the Group will closely monitor changes in the domestic and overseas economic environment, and will study and assess the market trend more closely and adhere to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", so as to consolidate and expand its market share. Leveraging on the changes in the market conditions of bulk raw materials and fuels such as coal, the Group will strive to lower procurement costs of coal by several means including consolidation of existing coal supply channels, cross-regional allocation of coal resources and use of different types of coal. The Group will make efforts to optimize production organization in plants and push ahead construction of information system and intelligent system, so as to ease its labour intensity and increase efficiency. Furthermore, the Group will continue to strengthen benchmark management, explore ways to improve its incentive mechanism and accelerate the grooming of international talents, so as to secure the human resources required for the implementation of its internationalization strategies. In 2017, the Group plans to increase its net sales volume of cement and clinker by approximately 6% year-on-year. It is expected that the cost of products per tonne will increase, while the expense of products per tonne will remain basically stable.

In 2017, 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 is closely related to the growth rate of fixed asset investments. Therefore, the slowdown in the growth of real estate investment and the uncertainties surrounding the real estate policy in 2017 will, to certain extent, affect cement market demand and price, 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, step up efforts in conducting analysis and research on the relevant policies and factors that affect the demands of the cement industry and adopt proper measures to solve the problems. Meanwhile, to align with the Company's development strategies, the Group will continue to expand and enhance its market presence, focus on key projects and step up efforts in exploring rural markets, so as 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.

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, especially increase in prices of raw materials and fuels such as coal, the Company will be under pressure of rising production costs. If the increase in cost resulting 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 Group will, on the one hand, continue to explore strategic cooperation with large-scale domestic coal corporations, expand coal procurement channels, take advantage of bulk procurement, implement cross-regional allocation of coal resources and use of different types of coal to lower the comprehensive costs of raw coal. On the other hand, the Group will enhance cooperation with major energy power companies and increase the procurement percentage of direct purchase of electricity. Meanwhile, efforts will be made to accelerate technology improvement of energy conservation and strengthen production and operation management, so as to further optimize the indicators of coal and electricity consumption.

3. With the continued improvement in the environment protection laws and regulations of the country and enhanced enforcement of the relevant laws, regulation on discharge of pollutants such as nitrogen oxide, sulphur dioxide and particulate matter by the cement industry will become more and more stringent, leading to increase in operation costs of the cement enterprises. Given the increasing emphasis attached to environmental protection by society, the investment costs in environmental protection incurred by the enterprises will gradually increase, thereby further imposing greater burden on the cement enterprises to certain extent.

   To address the above risks, the Group has completed the denitration technology modification to all of its production lines and upgrade and modification of dust collectors. Meanwhile, in light of the characteristics of the cement industry, the Group has proactively explored effective denitration technology, so as to make sure that all the pollutants discharged by the production lines meet the discharge standard. Efforts were made to tighten subsidiaries' environmental management, promoting strict compliance with the relevant environmental protection laws and regulations. Although the increasingly stringent environmental protection requirements by the country may, to certain extent, increase the operating costs of the cement enterprises, it will enable major enterprises to leverage and benefit from their advantages in sophisticated environmental protection equipment and management, and will also help speed up the elimination of backward production capacity and accelerate the restructuring of the cement industry.

VIII. 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 the Reporting Period amounted to RMB8,529.92 million and RMB8,573.87 million respectively. The Board proposed the appropriation of the profit for the Reporting Period 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 Reporting Period.

(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 2016, the payment of a final dividend of RMB0.5 per share (tax inclusive) is proposed, totaling RMB2,649.65 million.

(3) The date of payment of final dividend to the Company's H shareholders is expected to be around Tuesday, 27 June 2017. Details of the payment of final dividend will be included in the circular of the Company to be despatched to its shareholders in due course.

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

IX. Financial Information

Financial information extracted from the audited consolidated statement of profit or loss and consolidated statement of comprehensive income of the Group for the year ended 31 December 2016 and audited consolidated statement of financial position of the Group at 31 December 2016 together with the 2015 comparative figures, prepared in accordance with IFRSs and presented on the basis described in Note 4(1) below are as follows:

1. Consolidated statement of profit or loss

for the year ended 31 December 2016

	Note	*2016* RMB'000	*2015* RMB'000
Revenue	4(3)	55,931,901	50,976,036
Cost of sales and services rendered		(38,396,285)	(37,266,992)
Gross profit		17,535,616	13,709,044
Other revenue	4(4)	1,187,329	1,790,723
Other net income	4(4)	671,364	1,876,298
Selling and marketing costs		(3,276,414)	(3,105,094)
Administrative expenses		(3,529,618)	(3,184,451)
Profit from operations		12,588,277	11,086,520
Finance costs	4(5)	(792,038)	(962,821)
Share of losses of associates		(64,695)	(37,815)
Share of losses of joint ventures		(32,215)	(364)
Profit before taxation		11,699,329	10,085,520
Income tax	4(6)	(2,702,563)	(2,440,472)
Profit for the year		8,996,766	7,645,048

1. Consolidated statement of profit or loss (continued)

for the year ended 31 December 2016

	Note	*2016* RMB'000	*2015* RMB'000
Attributable to:			
Equity shareholders of the Company		8,573,868	7,538,700
Non-controlling interests		422,898	106,348
Profit for the year		8,996,766	7,645,048
Earnings per share	4(8)		
Basic		RMB1.62	RMB1.42
Diluted		RMB1.62	RMB1.42

2. Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Note	*2016* RMB'000	*2015* RMB'000
Profit for the year		8,996,766	7,645,048
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of: financial statements of overseas subsidiaries		55,391	24,862
Available-for-sale equity securities: net movement in the fair value reserve		(202,967)	173,508
Share of other comprehensive income of the investees		23,258	11,500
		(124,318)	209,870
Total comprehensive income for the year		8,872,448	7,854,918
Attributable to:			
Equity shareholders of the Company		8,439,684	7,744,458
Non-controlling interests		432,764	110,460
Total comprehensive income for the year		8,872,448	7,854,918

3. Consolidated statement of financial position

at 31 December 2016

	Note	*2016*		*2015*	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
- Investment properties			27,967		40,156
- Other property, plant and equipment			64,660,953		4,107,776
- Lease prepayments			4,819,674		4,489,095
Intangible assets			2,912,630		2,878,148
Goodwill	4(11)		493,648		463,731
Interest in associates			2,143,046		2,207,688
Interest in joint ventures			1,172,383		767,749
Loans and receivables			206,830		251,964
Available-for-sale equity securities			2,935,177		3,249,600
Deferred tax assets			529,547		453,936
Prepayment for long-term assets			28,912		445,547
			79,930,767		79,355,390
Current assets					
Inventories		4,548,534		4,238,039	
Trade receivables	4(9)	7,145,293		4,887,786	
Prepayments and other receivables		1,904,169		2,168,399	
Amounts due from related parties		301,952		316,079	
Tax recoverable		97,423		344,253	
Restricted cash deposits		286,417		186,412	
Bank deposits with maturity over three months		9,500,000		0,000,000	
Cash and cash equivalents		5,799,566		4,285,034	
		29,583,354		26,426,002	

3. Consolidated statement of financial position (continued)

at 31 December 2016

	Note	*2016*		*2015*	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	4(10)	4,362,893		3,872,683	
Other payables and accruals		7,293,525		7,506,032	
Bank loans and other borrowings		4,537,632		8,445,248	
Amounts due to related parties		235,716		319,043	
Current taxation		619,459		259,155	
		17,049,225		20,402,161	
Net current assets			12,534,129		6,023,841
Total assets less current liabilities			92,464,896		85,379,231
Non-current liabilities					
Bank loans and other borrowings		11,443,109		10,739,682	
Deferred income		569,580		536,693	
Deferred tax liabilities		474,375		558,347	
			12,487,064		11,834,722
NET ASSETS			79,977,832		73,544,509

3. Consolidated statement of financial position (continued)

at 31 December 2016

	Note	*2016*		*2015*	
		RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES					
Share capital			5,299,303		5,299,303
Reserves			71,009,251		64,848,267
Total equity attributable to equity shareholders of the Company			76,308,554		70,147,570
Non-controlling interests			3,669,278		3,396,939
TOTAL EQUITY			79,977,832		73,544,509

Approved and authorised for issue by the board of directors on 23 March 2017.

Gao Dengbang	Zhou Bo
Chairman	Executive Director

4. Notes to the financial statements

(1) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 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; and
- derivative financial instruments.

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 2016 financial statements.

(2) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(3) Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the 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:

	2016	*2015*
	RMB'000	RMB'000
Sales of clinkers and cement products	54,830,637	49,728,718
Sales of materials and other products	555,191	726,819
Service income	546,073	520,499
	55,931,901	50,976,036

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:

(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 the 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.

(3) Revenue and segment reporting (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 2016 and 2015 is set out below:

For the year ended 31 December 2016

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items (note b(ii))*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	14,705,007	17,939,532	10,597,502	11,887,347	802,513	55,931,901	-	55,931,901
Inter-segment revenue	2,910,557	13,840,975	160,274	83,715	-	16,995,521	(16,995,521)	-
Reportable segment revenue	17,615,564	31,780,507	10,757,776	11,971,062	802,513	72,927,422	(16,995,521)	55,931,901
Reportable segment profit (profit before taxation)	1,352,427	9,383,547	2,559,452	1,662,728	102,245	15,060,399	(3,361,070)	11,699,329
Interest income	17,813	660,971	4,100	10,256	9,135	702,275	(339,517)	362,758
Interest expense	(76,452)	(668,480)	(78,084)	(222,407)	(66,755)	(1,112,178)	320,140	(792,038)
Depreciation and amortisation for the year	(430,020)	(2,110,796)	(659,165)	(1,458,200)	(107,811)	(4,765,992)	13,273	(4,752,719)
Impairment of plant and machinery	29,311	-	-	348,645	-	377,956	-	377,956
Reportable segment assets (including investment in associates and joint ventures)	10,971,027	87,690,990	11,511,490	27,800,616	6,146,670	144,120,793	(34,606,672)	109,514,121
Investment in associates and joint ventures	-	1,008,089	-	2,101,482	205,858	3,315,429	-	3,315,429
Additions to non-current segment assets during the year	460,482	2,493,487	286,344	567,428	1,846,840	5,654,581	-	5,654,581
Reportable segment liabilities	6,600,568	15,541,530	3,511,758	15,669,681	5,339,998	46,663,535	(17,127,246)	29,536,289

(3) Revenue and segment reporting (continued)

For the year ended 31 December 2015

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items (note b(ii))*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

(3) Revenue and segment reporting (continued)

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

	2016	*2015*
	RMB'000	RMB'000
Revenue		
Elimination of inter-segment revenue	(16,995,521)	(16,071,734)

	2016	*2015*
	RMB'000	RMB'000
Profit		
Elimination of inter-segment profits	(3,407,194)	(4,144,779)
Difference between CAS and IFRS*	46,124	46,124
	(3,361,070)	(4,098,655)

	2016	*2015*
	RMB'000	RMB'000
Assets		
Elimination of inter-segment balances	(34,606,672)	(32,171,760)

	2016	*2015*
	RMB'000	RMB'000
Liabilities		
Elimination of inter-segment balances	(17,448,184)	(15,553,540)
Difference between CAS and IFRS*	320,938	367,062
	(17,127,246)	(15,186,478)

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

(3) Revenue and 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 from external customers		*Specified non-current assets*	
	2016	*2015*	*2016*	*2015*
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	53,516,935	48,970,188	72,254,996	73,059,193
Others	2,414,966	2,005,848	4,039,376	2,378,837
	55,931,901	50,976,036	76,294,372	75,438,030

(4) Other revenue and net income

	2016	*2015*
	RMB'000	RMB'000
Other revenue		
Interest income	362,758	452,428
Subsidy income*	820,632	1,328,910
Dividend income from listed securities	3,939	9,385
	1,187,329	1,790,723

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

(4) Other revenue and net income (continued)

	2016	*2015*
	RMB'000	RMB'000
Other net income		
Net gain on disposal of property, plant and equipment and lease prepayments	100,696	69,627
Net realised and unrealised (loss)/gain on derivative financial instruments	(2,912)	83,584
Available-for-sale securities net gain on disposal	501,365	648,699
Net gain on disposal of interest in an associate	-	1,152,149
Net exchange gain/(loss)	100,593	(52,113)
Others	(28,378)	(25,648)
	671,364	1,876,298

(5) Profit before taxation

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

	2016	*2015*
	RMB'000	RMB'000
(a) Finance costs		
Interest expense on financial liabilities not at fair value through profit or loss	811,237	968,308
Less: interest expense capitalized into construction-in-progress*	(19,199)	(5,487)
	792,038	962,821

* The borrowing costs have been capitalised at rates of 1.42% ~ 8.80% (2015: 1.84% ~ 5.4%).

(5) Profit before taxation (continued)

		2016	*2015*
		RMB'000	RMB'000
(b)	*Staff costs*		
	Salaries, wages and other benefits	3,866,879	3,331,862
	Contributions to defined contribution retirement plans	412,341	416,736
		4,279,220	3,748,598

		2016	*2015*
		RMB'000	RMB'000
(c)	*Other items*		
	Amortisation		
	– interest in leasehold land held for own use under operation leases	117,481	106,917
	– intangible assets	137,603	140,283
	Depreciation		
	– investment property	1,054	1,263
	– property, plant and equipment	4,496,581	4,210,856
	Impairment losses		
	– property, plant and equipment	377,956	-
	Reversal of impairment losses		
	– prepayments and other receivables	(109)	(140)
	Auditors' remuneration		
	– audit services	5,190	4,990
	– other services	209	19

(6) Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2016	*2015*
	RMB'000	RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	2,822,112	2,609,050
(Over)/under-provision in respect of prior years	(27,621)	23,543
	2,794,491	2,632,593
Deferred tax		
Origination and reversal of temporary differences	(91,928)	(192,121)
	2,702,563	2,440,472

No provision for Hong Kong Profits Tax is made for 2015 and 2016 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Conch International Holding (HK) Co., Ltd. ("Conch International"), a subsidiary in Hong Kong, is taxed at corporate income tax rates of 16.5% (2015: 16.5%). Other individual companies within the Group are generally subject to Corporate Income Tax at 25% (2015: 25%) on taxable income determined according to the relevant income tax rules and regulations of the countries located, 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%
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note (i))	15%
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司(Note (i))	15%
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限公司 (Note (i))	15%

(6) Income tax in the consolidated statement of profit or loss (continued)

Guangxi Sihegongmao Co., Ltd. ("Sihegongmao") 廣西四合工貿有限責任公司 (Note (i))	15%
Linxia Conch Cement Co., Ltd. ("Linxia Conch") 臨夏海螺水泥有限責任公司(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%
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司 (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%
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司(Note (ii))	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note (iii))	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 companies mentioned above got approval from local tax authorities and entitled to a preferential income tax rate of 15% in 2016 (2015: 15%).

(ii) Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Conch Construction has obtained a high and new technology enterprise certification and approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.

(iii) 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.

(6) Income tax in the consolidated statement of profit or loss (continued)

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

	2016	*2015*
	RMB'000	RMB'000
Profit before taxation	11,699,329	10,085,520
Notional tax on profit before taxation calculated at 25% (2015：25%)	2,924,832	2,521,380
Tax effect of subsidiaries subject to tax rates other than 25%	(203,634)	(104,038)
Tax effect of non-deductible expenses	79,274	38,221
Tax effect of non-taxable income	(36,690)	(37,456)
Reversal of tax effect of prior years' unused tax losses recognised	-	231
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(14,627)	-
(Over)/under-provision in respect of prior years	(27,621)	23,543
Others	(18,971)	(1,409)
Actual tax expense	2,702,563	2,440,472

(7) Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2016	*2015*
	RMB'000	RMB'000
Final dividend proposed after the statement of financial position date of RMB0.5 (2015: RMB0.43) per ordinary share	2,649,651	2,278,700

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.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2016	*2015*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.43 (2015: RMB0.65) per ordinary share	2,278,700	3,444,547

(8) 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 2016 of RMB 8,573,868,000 (2015: RMB 7,538,700,000) and the weighted average number of shares in issue during the year ended 31 December 2016 of 5,299,303,000 shares (2015: 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 2016 and 2015, therefore, diluted earnings per share is the same as the basic earnings per share.

(9) Ageing analysis of trade receivables

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:

	2016	*2015*
	RMB'000	RMB'000
Within 1 year (inclusive)	7,145,293	4,887,786

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.

(10) Ageing analysis of trade payables

Included in trade payables are trade creditors with the following aging analysis based on invoice dates as of the statement of financial position date:

	2016	*2015*
	RMB'000	RMB'000
Within 1 year (inclusive)	4,330,228	3,832,499
Between 1 year and 2 years (inclusive)	17,748	28,721
Between 2 years and 3 years (inclusive)	6,807	9,015
Over 3 years	8,110	2,448
	4,362,893	3,872,683

(11) Business combination

The Group acquired certain core assets which constitute a business under IFRS 3, *Business Combinations*, from an independent third party, Anhui Chaodong Cement Co., Ltd., on 5 March 2016. The acquired business is located in the PRC and is principally engaged in the manufacturing and sale of clinkers and cement related products.

During the period from the acquisition date to 31 December 2016, the acquired business contributed a revenue of RMB 812,960,000 and profit of RMB 68,165,000 to the Group's results. If the acquisitions had occurred on 1 January 2016, management estimates that the consolidated revenue of the Group for the year ended 31 December 2016 would have been RMB 56,025,666,000, and the consolidated profit for the year would have been RMB 8,995,566,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would remain the same even if the acquisition had occurred on 1 January 2016.

Summary of net assets acquired and the goodwill arising at the acquisition date is as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Investment property and property, plant and equipment	1,390,668
Lease prepayments and intangible assets	219,828
Inventories	69,897
Cash and cash equivalents	62,390
Trade receivables, prepayments and other receivables	40,509
Bank loans and other borrowings	(424,000)
Trade payables and other liabilities	(275,342)
Total net identifiable assets of the acquiree	1,083,950

Goodwill

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

	RMB'000
Total cash consideration	1,113,867
Fair value of net identifiable assets	(1,083,950)
Goodwill arising from the above acquisition	29,917

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

(12) Contingent liabilities

At 31 December 2016, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB6,408,715,000 (2015: RMB3,734,132,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB730,000,000 (2015: RMB370,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2016, outstanding letters of credit issued by the Group amounted to RMB63,557,000 (2015: RMB69,426,000).

At 31 December 2016, the Group has issued guarantees to banking facilities of its related parties, PT SDIC Papua Cement Indonesia and Sino-Myanmar International Trading Co., Ltd., amounting to RMB 1,176,796,000 in aggregate (2015: RMB1,177,738,000). These facilities were utilised to the extent of RMB1,096,203,000 (2015: RMB650,458,000) as at 31 December 2016.

By Order of the Board
Anhui Conch Cement Company Limited
Gao Dengbang
Chairman

Wuhu City, Anhui Province, the People's Republic of China

23 March 2017

As at the date of this announcement, the Board comprises (i) Mr Gao Dengbang, Mr Wang Jianchao, Mr Wu Bin, Mr Ding Feng, and Mr Zhou Bo as executive Directors; (ii) Mr Yang Mian Zhi, Mr Tai Kwok Leung and Mr Leung Tat Kwong Simon as independent non-executive Directors.