# Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

# 2016 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. Gao Dengbang, the Chairman of the Company, did not attend the third meeting of the seventh session of the Board of the Company in person and Mr. Wang Jianchao, deputy Chairman of the Company, was appointed and authorized to attend and chair the meeting and vote on his behalf.

3. KPMG and KPMG Huazhen LLP issued a standard unqualified audit report for the Company.

4. Mr. Gao Dengbang, Chairman, Mr. Zhou Bo, chief accountant and Ms. Liu Yan, officer-in-charge of the accounting department, have declared that they warrant the financial statements contained herein are true, accurate and complete.

5. As considered by the third meeting of the seventh session of the Board of the Company, the annual profit distribution proposal for 2016 is: a cash dividend of RMB0.5 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 2017 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, fluctuation of energy price and environmental protection regulation that the Company may be exposed to in 2017 have been disclosed in the Chapter 5 herein. Investors are reminded to read it carefully.

# Contents

# 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 Company Limited |
| 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 |
| Huaining Conch | : | Anhui Huaining Conch Cement Co., Ltd. |
| Xuancheng Conch | : | Anhui Xuancheng Conch Cement Co., Ltd. |
| Prosperity Conch | : | Prosperity Conch Cement Co., Ltd. |
| Jiangmen Conch | : | Jiangmen Conch Cement Co., Ltd. |
| Ganzhou Conch | : | Ganzhou Conch Cement Co., Ltd. |
| Bozhou Conch | : | Bozhou Conch Cement Co., Ltd. |
| Yingjiangyunhan | : | Yingjiangyunhan Cement Co., Ltd. |
| Yiyang Conch | : | Yiyang Conch Cement Co., Ltd. |
| Wenshan Conch | : | Wenshan Conch Cement Co., Ltd. |
| Chaohu Conch | : | Chaohu Conch Cement Co., Ltd. |
| Guiyang Conch | : | Guiyang Conch Panjiang Cement Co., Ltd. |
| Liukuangruian | : | Guizhou Liukuangruian Cement Co., Ltd. |



## 1. Definitions

| | | |
|---|---|---|
| Qianyang Conch | : | Qianyang Conch Cement Co., Ltd. |
| Liquan Conch | : | Liquan Conch Cement Co., Ltd. |
| Goldsun Cement | : | Goldsun (Hunan) Cement Co., Ltd. |
| Qianxinan | : | Qianxinan Resource Development Co., Ltd. |
| Tongren Conch | : | Tongren Conch Panjiang Cement Co., Ltd. |
| Conch International (HK) | : | Conch International Holdings (HK) Limited |
| North Sulawesi Conch | : | Conch North Sulawesi Cement, PT |
| Barru Conch | : | Conch Barru Cement Indonesia, PT |
| Kalimantan Conch | : | Conch South Kalimantan Cement, PT |
| Myanmar Conch | : | Myanmar Conch Cement Co., Ltd |
| Indonesia Conch | : | PT Conch Cement Indonesia |
| Papua Cement | : | PT SDIC Papua Cement Indonesia |
| Volga Conch | : | Conch Cement Volga Co., Ltd |
| Qingsong Building Materials and Chemicals | : | Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600425) |
| Jidong Cement | : | Tangshan Jidong Cement Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000401) |
| Xinli Finance | : | Anhui Xinli Finance Co., Ltd. (formerly known as "Anhui Chaodong Cement Co., Ltd.", which is shortly referred to as "Chaodong Cement"), a company listed on Shanghai Stock Exchange (stock code: 600318) |

# 1. Definitions

| | | |
|---|---|---|
| WCC | : | West China Cement Limited, a company listed on Hong Kong Stock Exchange (stock code: 02233) |
| Conch Holdings | : | Anhui Conch Holdings Co., Ltd. |
| 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 Energy Conservation | : | Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. |
| Conch Kawasaki Environmental Protection | : | Shanghai Conch Kawasaki Engineering Co., Ltd. |
| 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 |
| Remuneration and Nomination Committee | : | Remuneration and nomination committee of the Board |
| Audit Committee | : | Audit committee of the Board |
| Reporting Period | : | The period from 1 January 2016 to 31 December 2016 |
| PRC Accounting Standards | : | China Accounting Standards for Business Enterprises |
| Stock Exchange | : | The Stock Exchange of Hong Kong Limited |
| HKSE Listing Rules | : | The Rules Governing the Listing of Securities on the Stock Exchange |



## 1. Definitions

| | | |
|---|---|---|
| SFO | : | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Model Code | : | Model Code for Securities Transactions by Directors of Listed Issuers |
| SSE | : | Shanghai Stock Exchange |
| SSE Listing Rules | : | The Rules Governing the Listing of Stocks on the SSE |
| SZSE | : | Shenzhen Stock Exchange |
| 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 |
| 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 |
| | Abbreviation in Chinese | : | 海螺水泥 |
| | Official English name of the Company | : | ANHUI CONCH CEMENT COMPANY LIMITED |
| | Abbreviation in English | : | ACC |
| (2) | Legal Representative of the Company | : | Gao Dengbang |
| (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@chinaconch.com |
| (4) | Registered address of the Company | : | 39 Wenhua Road, Wuhu City, Anhui Province, the PRC |
| | Office address of the Company | : | 39 Wenhua Road, Wuhu City, Anhui Province, the PRC |
| | Postal code | : | 241000 |
| | Email address of the Company | : | cement@chinaconch.com |
| | Website of the Company | : | http://www.conch.cn |
| | Contact address in Hong Kong | : | 40/F Jardine House, 1 Connaught Place, Central, Hong Kong |

## 2. Corporate Profile and Major Financial Indicators

| | | | |
|---|---|---|---|
| (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, Shanghai Stock Exchange |
| (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<br>34th Floor, Tower 3,<br>China Central Place,<br>77 Jianguo Road, Chaoyang District,<br>Beijing, the PRC |
| | Legal adviser as to Hong Kong law | : | Chiu & Partners<br>40th Floor, Jardine House,<br>1 Connaught Place, Central,<br>Hong Kong |
| (8) | International auditors | : | KPMG<br>8th Floor, Prince's Building,<br>10 Chater Road, Central,<br>Hong Kong |
| | PRC auditors | : | KPMG Huazhen LLP<br>8th Floor, Tower E2,<br>Oriental Plaza, 1 East Chang An Avenue,<br>Beijing, the PRC |
| | Authorised signatory of the Accountant | : | Xu Min, Li Ling |
| (9) | H Shares share registrar and transfer office | : | Hong Kong Registrars Limited<br>17/F, Hopewell Centre,<br>183 Queen's Road East, Wanchai,<br>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 | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Net 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 |

## (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 | 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 |

## 2. Corporate Profile and Major Financial Indicators

Table 2:

(Unit: RMB'000)

| Items | **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 |
| 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 |

**2. Major financial data for 2016 listed by quarters**

(Unit: RMB'000)

| Items | In the first quarter | In the second quarter | In the third quarter | In the fourth quarter |
|---|---|---|---|---|
| Revenue | 10,607,193 | 13,365,916 | 13,975,894 | 17,982,898 |
| Net profit attributable to equity shareholders of the Company | 1,155,094 | 2,199,824 | 2,613,502 | 2,561,497 |
| Net profit after extraordinary items attributable to equity shareholders of the Company | 827,932 | 2,164,675 | 2,305,838 | 2,382,493 |
| Net cash flow generated from operating activities | 1,732,925 | 2,934,362 | 3,537,171 | 4,992,294 |



### 3. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

| Extraordinary items | **2016** | 2015 | 2014 |
|---|---|---|---|
| (1) Gain/(Loss) on disposal of non-current assets | **100,696** | 1,221,775 | -4,022 |
| (2) Government subsidy | **564,948** | 1,014,097 | 692,767 |
| (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 | **498,453** | 732,284 | 29,890 |
| (4) Entrusted fee income obtained from entrusted operation | **–** | 8,266 | 21,000 |
| (5) Charges on share of funds received from non-financial enterprises included in the current income statement | **2,412** | 15,648 | 10,794 |
| (6) Gains arising from the excess of the Group's share of the fair values of the subsidiaries' identifiable net assets over the investment costs for acquisition of the subsidiaries | **–** | – | 13,090 |
| (7) Gains or losses from external entrusted loans | **–** | – | 11,612 |
| (8) Other non-operating income and expenses other than the above items | **-28,378** | -25,647 | 31,697 |
| (9) Effect of extraordinary items on income tax | **-278,028** | -727,453 | -192,608 |
| (10) Effect of extraordinary items on minority interests | **-11,124** | -23,960 | -8,420 |
| **Total** | **848,979** | 2,215,010 | 605,800 |

### 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 | – | – | – | – |
| Available-for-sale financial assets | 3,249,600 | 2,935,177 | -314,423 | 501,365 |
| Financial liabilities at fair value through profit or loss | 6,393 | – | -6,393 | -2,912 |

## 2. Corporate Profile and Major Financial Indicators

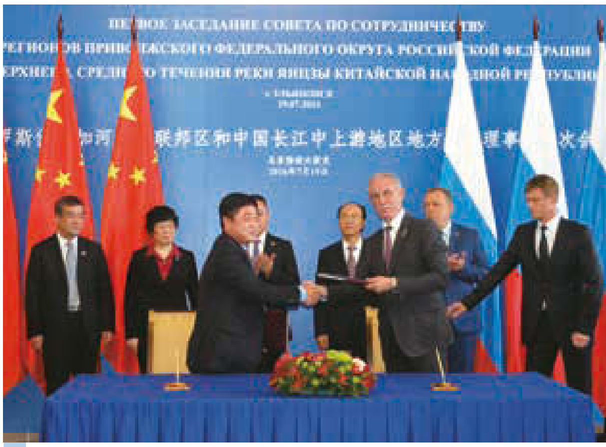
### (12) EXPLANATIONS FOR DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND IFRSs

(Unit: RMB'000)

| | Net profit attributable to parent company | | Equity attributable to equity shareholders of parent company | |
|---|---|---|---|---|
| | **1 January to 31 December 2016 (Audited)** | 1 January to 31 December 2015 (Audited) | **31 December 2016 (Audited)** | 31 December 2015 (Audited) |
| As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards | **8,529,917** | 7,516,385 | **76,608,921** | 70,491,888 |
| – Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs | **43,951** | 22,315 | **-300,367** | –344,318 |
| As reported in accordance with IFRSs | **8,573,868** | 7,538,700 | **76,308,554** | 70,147,570 |


In November 2016, the Company entered into the Investment Cooperation Agreement with the business partner from Myanmar in respect of the cement project in Mandalay of Myanmar.

In June 2016, Gao Dengbang, Chairman of the Company, attended the opening ceremony of Myanmar Conch.



In July 2016, Wang Jianchao, Deputy Chairman of the Company, and Morozov, the governor of Ulyanowski, signed the Investment Agreement for the Cement Project in Ulyanowski.

In May 2016, the operation commencement ceremony was held for the clinker production line with a capacity of 3,200 tonnes/day of the phase-two project of Kalimantan Conch.

In April 2016, Hong Soun, president of KT Pacific Group from Cambodia visited Conch to discuss future cooperation.


In August 2016, the operation commencement ceremony was held for the clinker production line with a capacity of 3,200 tonnes/day of the cement project in West Papua Indonesia.

In July 2016, the terminal of the cement project in West Papua Indonesia was put into operation.

# 3. Business Overview of the Company

## (1) OVERVIEW OF THE CEMENT INDUSTRY

In 2016, the PRC government rigorously pushed forward the supply-side structural reform. With the promulgation 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)) by the General Office of the State Council, the government, on one hand, imposed control over new production capacity, eliminated backward production capacity, facilitated industry consolidation and restructuring and promoted staggering production, and on the other hand, with further implementation of the "One Belt and One Road" strategy, encouraged the well-established building material enterprises to accelerate their internationalization strategies and explore the overseas markets.

In 2016, as the PRC economy began to stabilize and rebound, the growth in fixed asset investments showed a slow and positive trend throughout the year, with a growth in demand in the cement market. The PRC's cement production volume increased by 2.5% year-on-year to approximately 2.4 billion tonnes. Driven by the increasing product price, the profit margin of the industry increased sharply, representing an increase of 55% as compared to that of last year. Entering into the "Thirteenth Five-year Plan" period, the PRC cement industry has transited from high-gear growth in the past to a period of low growth rate. (source: Digital Cement)



## (2) INTRODUCTION OF THE MAIN BUSINESS OF THE COMPANY

During the Reporting Period, the Group was principally engaged in production and sale of cement, commodity clinker and aggregate. 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 projects including railways, expressways, airports and hydraulic facilities as well as urban property development and the rural markets.

As part of the basic raw material industry, cement is a regional product as its sales radium is subject to transportation and local cement price, resulting in a sales model different from that of the consumer staples. The Group has adopted a sales model with its focus on direct sales and supplemented by distribution, and has established over 480 marketing departments in the marketplaces where the Company operates across the country, building up an extensive marketing network.

In 2016, while continuing to further fine-tune its strategic market planning at home, the Group also proactively promoted the implementation of its development strategies of internationalization by keeping abreast with the development strategy of "One Belt and One Road" advocated by the PRC government. As at the end of the Reporting Period, the Group has invested in the construction of cement projects and has gained control over or shareholding in 14 companies in five countries including Indonesia, Myanmar and Cambodia, achieving remarkable results.

## 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 Reporting Period, there was no material change in the construction-in-progress, fixed assets, intangible assets and other primary assets of the Group.

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

Since its listing in 1997, the Company has focused on developing and growing its cement business by promoting independent innovation and technology innovation, facilitating energy conservation and emission reduction and developing recycling economy. After nearly 20-years' constant, healthy and steady development, and by continuously enhancing internal management and promoting technology innovation, the Company has created the unique "Conch model", establishing strong advantage in resources, technology, human resources, funding, market share and brand recognition.

As a pioneer of the industry in technology innovation of new dry-process cement technique and application of energy conservation and consumption reduction technology, the Group further enhanced its competitive strength through technology upgrading and improvement of internal operation, so as to maintain its core competitiveness. The Group also strived to maintain its low-cost advantage in the industry by reducing coal and electricity consumption, improving productivity and enhancing cost control.

# 4. Report of the Directors

## (1) INVESTMENTS DURING THE REPORTING PERIOD

**1. Establishment of or investment in project companies and capital increase in subsidiaries and joint ventures during the Reporting Period**

(1) In order to further enhance our market coverage in Northern Anhui Province, the Company acquired the 40% equity interests in Huaibei Mining Xiangshan Cement Co., Ltd. ("Xiangshan Cement") from Anhui Huaihai Industry Development Group Co., Ltd. ("Huaihai Group") in cash in July 2016. The remaining 60% equity interests of Xiangshan Cement is held by Huaihai Group. Upon completion of the equity transfer, Xiangshan Cement became a joint venture of the Company. Xiangshan Cement, which is located in Huaibei City, Anhui Province, currently has an annual production capacity of 2.9 million tonnes of clinker and 6 million tonnes of cement.

(2) In August 2016, Conch International (HK), a wholly-owned subsidiary of the Company, and PT Conch International Trade Indonesia ("Indonesia International Trade Conch") invested in and established PT Conch West Kalimantan Cement Trade, with a registered capital of US$4 million. Conch International (HK) and Indonesia International Trade Conch contributed US$3.8 million and US$0.2 million respectively, representing 95% and 5% of the registered capital of PT Conch West Kalimantan Cement Trade respectively.

(3) In order to satisfy the demand for packaging bags from the cement companies in Yunnan and Guizhou Provinces, the Company invested in and established Guiding Conch Plastic Packaging Co., Ltd. in November 2016 with a registered capital of RMB20 million, which is held as to 100% by the Company.

(4) In November 2016, the Company and Myanmar MYINT Investment Group ("MYINT") invested in and established Myanmar Conch Cement (Yangon) Co., Ltd., with a registered capital of US$10 million. The Company and MYINT contributed US$5 million and US$5 million respectively, representing 50% and 50% of the registered capital of Myanmar Conch Cement (Yangon) Co., Ltd. respectively.

(5) In November 2016, Conch International (HK), a wholly-owned subsidiary of the Company, and Hunan Changsha Yuebo Asset Management Co., Ltd. ("Hunan Yuebo") invested in and established Luang Prabang Conch Cement Co., Ltd., with an initial registered capital of US$1 million. Conch International (HK) and Hunan Yuebo contributed US$0.7 million and US$0.3 million respectively, representing 70% and 30% of the registered capital of Luang Prabang Conch Cement Co., Ltd. respectively.

(6) In December 2016, the Company and Ulyanowski Regional Development Company ("Ulyanowski Development") invested in and established Conch Cement Volga Co., Ltd. ("Volga Conch"), with an initial registered capital of US$0.2 million. The Company and Ulyanowski Development contributed US$0.15 million and US$0.05 million respectively, representing 75% and 25% of the registered capital of Volga Conch respectively.

(7) During the Reporting Period, the Company made injection into the following subsidiaries and joint ventures with the capital increase as follows:

Unit: RMB'000

| Name of companies | Capital increase by the Company | Enlarged registered capital | The Company's shareholding upon the capital increase | Relationship with the Company |
|---|---|---|---|---|
| 1. Nantong Conch Cement Co., Ltd. | 35,000 | 50,000 | 100% | Subsidiary |
| 2. Guiyang Conch | 63,000 | 706,000 | 50% | Subsidiary |
| 3. Sino-Myanmar (Wuhu) International Trading Co., Ltd. | US$11.25 million | US$90 million | 45% | Joint venture |
| 4. Xiangshan Cement | 72,000 | 408,628 | 40% | Joint venture |

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

2 As at the end of the Reporting Period, the above capital contributions were fully paid.

## 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 "Overview of operation development" under the paragraph headed "Analysis of Operational Conditions" under the section headed "5. Management Discussion and Analysis on the Operations of the Group" of this report and note 5 (13) to the financial statements prepared in accordance with the PRC Accounting Standards.





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

(1) During the Reporting Period, for sake of realizing investment return, the Company decreased its shareholding in the shares of Xinli Finance by 17,600,000 shares, representing 7.28% of the issued shares of Xinli Finance. After such decrease in shareholdings, the Company held 21,785,700 shares of Xinli Finance, representing 9.00% of the total issued shares of Xinli Finance.

(2) 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 cost (RMB) | 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 (RMB) | Profit/loss recognized during the Reporting Period (RMB) | Change in equity interest during the Reporting Period (RMB) |
|---|---|---|---|---|---|---|---|
| 600318 | Xinli Finance | 54,218,350 | 16.28 | 9.00 | 701,499,540 | 505,304,015 | 36,218,073 |
| 000401 | Jidong Cement | 2,161,423,434 | 13.93 | 13.93 | 2,233,677,338 | – | 140,777,984 |
| 600425 | Qingsong Building Materials and Chemicals | 813,754,120 | 10.59 | 10.59 | 709,223,864 | -65,474,231 | –65,421,601 |
| 2233 | WCC | 1,449,828,915 | 21.17 | 21.17 | 1,392,258,095 | 2,679,423 | 2,679,423 |
| Total | | 4,479,224,819 | – | – | 5,036,658,837 | 442,509,207 | 114,253,879 |

The shares held by the Group in Xinli Finance 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. **Progress on acquisitions and disposals of material assets and equity**

(1) 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 the four wholly-owned subsidiaries in Shaanxi including Baoji Zhongxi Fenghuangshan Cement Co., Ltd., and the consideration of the transaction will be satisfied by the issue of shares by WCC to the Company (or its wholly-owned subsidiary, Conch International (HK), or other wholly-owned subsidiaries designated by the Company). In accordance with the equity sale agreement, in the event that the relevant conditions precedent had not been satisfied or waived at or before 5:00 p.m. on 30 June 2016 (or such other time as may otherwise be agreed among parties thereto), the equity sale agreement shall cease and be terminated. Given that the conditions precedent to the equity transaction have not been satisfied or waived prior to the aforesaid stipulated time, including but not limited to obtaining the approval for the transactions from the competent commerce authorities in the PRC, all the parties, through amicable negotiation, determined to terminate the equity sale agreement and the transaction in accordance with the relevant provisions of the agreement. Conch Cement and WCC will continue to explore various forms and ways for future cooperation and to create business synergies. For further details, please refer to the joint announcements published on the website of the Stock Exchange by the Company, Conch International (HK) and WCC on 27 November 2015, 24 December 2015, 29 December 2015, 29 February 2016, 20 May 2016 and 30 June 2016 respectively, as well as the announcements published on the website of the SSE by the Company on 28 November 2015 and 1 July 2016 respectively.

(2) On 23 October 2015, Chaohu Conch, a wholly-owned subsidiary of the Company, entered into an assets transfer agreement with Chaodong Cement, pursuant to which Chaohu Conch acquired assets and liabilities related to the cement business of Chaodong Cement in cash. On 5 February 2016, the Company received a Notification of Examination Results (Shang Fan Long Shen Cha Han [2016] No. 8) (《審查決定通知》(商反壟審查函[2016]第8號)) issued by the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC, which had granted its approval for the concentration of operators in respect of the acquisition of cement assets of Chaodong Cement by the Company. So far, all the closing conditions of the aforesaid assets transfer agreement have been fulfilled. As at the end of the Reporting Period, except that the transfer procedures regarding mining safety permit and other certificates of ownership are underway, the transfer of other tangible assets and relevant certificates of ownership related to the operation has been completed. For further details, please refer to the announcements published on the websites of the SSE and the Company by the Company on 27 October 2015 and 16 February 2016 respectively.

Save as disclosed above, the Group had no other acquisitions or disposals of material assets or equity during the Reporting Period.

5. **Principal majority-owned subsidiaries and invested companies**

As at the end of the Reporting Period, the Company had 129 majority-owned subsidiaries, 6 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 the IFRSs.

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.

## (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 non-executive 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 non-executive 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 2015 which was approved at the 2015 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 2015, a cash final dividend of RMB0.43 (tax inclusive) was paid to all the shareholders of the Company for every one share held, totaling RMB2,278,700,000 (tax inclusive). As of June 2016, 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 15 June 2016, as well as the HKExnews website and the Company's website on 14 June 2016 respectively.

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 |
|---|---|---|---|---|
| 2014 | / | 0.65 | 3,444,547 | 31.33% |
| 2015 | / | 0.43 | 2,278,700 | 30.32% |
| 2016 | / | 0.50 | 2,649,651 | 31.06% |

## 2. Profit appropriation proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRSs respectively, the Group's profit after tax and minority interests for the year 2016 amounted to RMB8,529.92 million and RMB8,573.87 million respectively. The Board proposed the appropriation of the profit for the year ended 31 December 2016 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 2016.

(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.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2016.

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 2016.

## 4. Report of the Directors

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementation rules, and the Notice on Issues relating to Withholding and Payment of Corporate Income Tax by Chinese Resident Enterprise over Dividends Distributable to their Holders of H-Shares Who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) (《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 [1993] No. 045 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 12 June 2017 (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 [2015] No. 60)(《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 19 June 2017. 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 holders of H Shares.

(4) For individual holders of H Shares who are Mainland individual investors investing in H Shares through Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in accordance with the register of Mainland individual investors provided by China Securities Depository and Clearing Company Limited. Individual investors who have paid the overseas 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 IFRSs, and in note 4 "Taxation" and notes 17, 24, 38 and 47 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 year ended 31 December 2016, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1.299 billion, representing 2.32% of the total sales amount of the Group; and the largest customer accounted for 1.05% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB6.575 billion, representing 17.41% of the total purchases amount of the Group; and the largest supplier accounted for 6.62% of the total purchases amount of the Group. So far as is known to the Group, the five largest customers and suppliers have no connection with the Group.

None of the Directors, Supervisors or 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 had interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2016.

The major raw materials and energy used by the Group 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 2016 were set out in notes 14 and 15 to the financial statements prepared in accordance with the IFRSs.

### (6) TOTAL ASSETS

As at 31 December 2016, the Group's total assets as determined in accordance with the IFRSs amounted to approximately RMB109.5 billion, representing an increase of approximately RMB3.7 billion over that of last year.

### (7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2016 were set out in the consolidated statement of changes in equity and note 36 to the financial statements prepared in accordance with the IFRSs.

## (8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2016 were set out in notes 31, 32 and 33 to the financial statements prepared in accordance with the IFRSs. The Group's deposits as at 31 December 2016 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 RMB19.2 million, details of which were set out in note 7 to the financial statements prepared in accordance with the IFRSs.

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

During the Reporting Period, the Group proactively pushed forward the construction of overseas projects, the payment of which was principally made in local currency or Renminbi with some limited amount in US dollars. The equipment, fire-resistant tiles and spare parts imported by the Group were mainly settled in US dollars, while cement and clinker and equipment 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 project construction costs, material procurement costs and export sales revenues of the Group. In order to effectively reduce foreign exchange risk to ensure an overall managed risk level, the Group implemented centralized management and allocation over foreign funds in the domestic and overseas markets by continuing to promote a management model of foreign fund pool, so as to lower costs of exchange settlement and sales, effectively reducing finance costs. Meanwhile, the Company took proactive measures to cope with the depreciation of Renminbi, gradually increasing dollar-denominated assets and controlling dollar-denominated liabilities. The Company also increased the loans denominated in the currencies of the countries where it operates to an appropriate extent, so as to match the financing currency with the settle requirements. The Company made appropriate foreign exchange payment arrangements based on the import and export plan by adjusting its operation strategy for foreign exchange risk on a timely basis and temporarily suspending US dollars forward exchange settlement, so as to effectively minimize dollar exchange rate risk and maximize overall gains from foreign exchange.

## (10) BUSINESS REVIEW, OUTLOOK AND MAJOR RISK FACTORS

For details on the business review, outlook for 2017 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 on the Operations of the Group" in this annual report.

## (11) COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2016, the Group has complied with the relevant laws and regulations which have a significant impact on the Company.

# 5. Management Discussion and Analysis on the Operations of the Group

## ANALYSIS OF 2016 OPERATIONAL CONDITIONS

### (1) Overview of operation development

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 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 IFRSs, 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.

## 5. Management Discussion and Analysis on the Operations of the Group

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 and Yiyang Conch as well as 18 cement grinding units of Wenshan Conch and Ganzhou Conch 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 Chaodong Cement, 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 Kalimantan Conch and Papua Barat in Indonesia, the Merak grinding mill project as well as the cement and clinker production lines of Myanmar Conch had completed construction and been put into production. The construction of the cement projects of North Sulawesi Conch, Cambodia Battambang Conch and in Luang Prabang of Laos had commenced, and the preliminary works for the projects of Volga Conch 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 responsibility, 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 on the same day as the 2016 annual report of the Company is released.



## 5. Management Discussion and Analysis on the Operations of the Group

### (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.

## 5. Management Discussion and Analysis on the Operations of the Group

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.

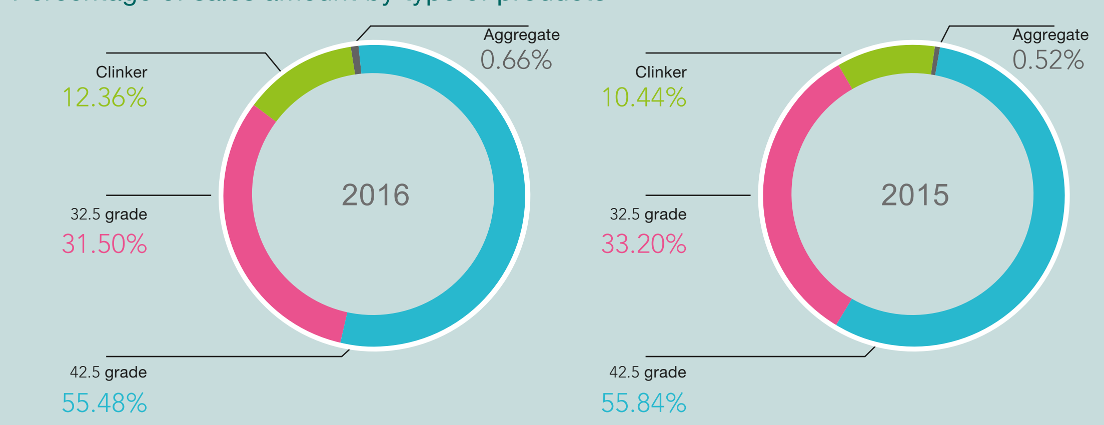
In **Central China** and **Western China**, with the mergers and acquisitions made by the Company and the release of production capacity of the new projects, which further reinforced the Company's market dominance and competitiveness, the sales amount increased by 13.01% and 11.80% respectively on a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



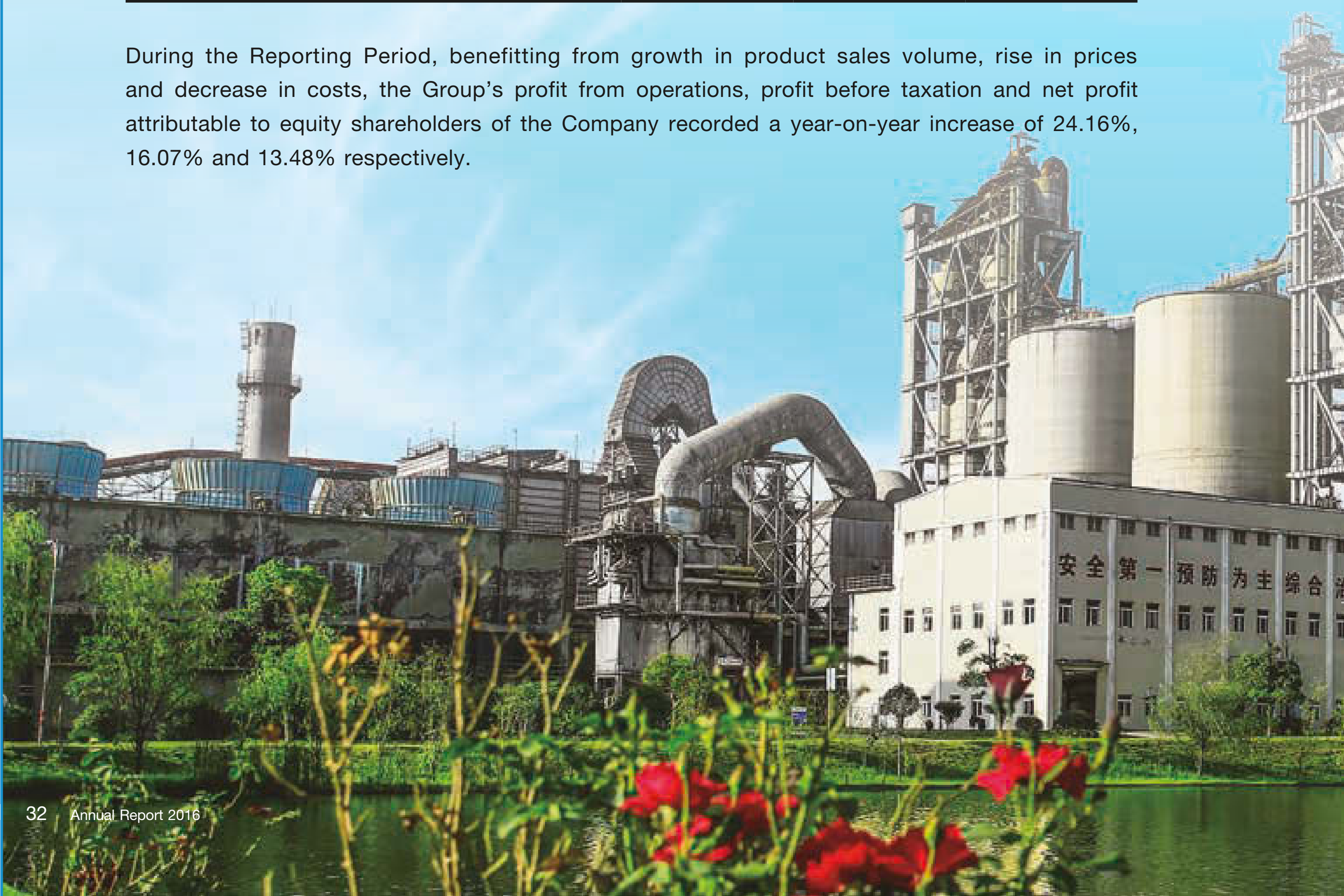
## 5. Management Discussion and Analysis on the Operations of the Group

### (3) Profit analysis

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

| Item | **Amount** **2016** **(RMB'000)** | 2015 (RMB'000) | Change from that of the corresponding period of last year (%) |
|---|---|---|---|
| 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.



## 5. Management Discussion and Analysis on the Operations of the Group

**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.



# 5. Management Discussion and Analysis on the Operations of the Group

## (4) Analysis of costs and expenses

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

| Item | **2016** Unit costs (RMB/tonne) | **2016** Percentage (%) | 2015 Unit costs (RMB/tonne) | 2015 Percentage (%) | Change in unit costs (%) | Change in costs proportion (percentage points) |
|---|---|---|---|---|---|---|
| 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 Company 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. Management Discussion and Analysis on the Operations of the Group

## (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 equity shareholders of the Company | **76,608,921** | 70,491,888 | 8.68 |
| Total liabilities and equity | **109,514,121** | 105,781,392 | 3.53 |



## 5. Management Discussion and Analysis on the Operations of the Group

As at the end of the Reporting Period, 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 current liabilities 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 Company. 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 the end of the Reporting Period, 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 corporate bonds due within one year during the Reporting Period. 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.

# 5. Management Discussion and Analysis on the Operations of the Group

### Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at the end of the Reporting Period 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 the end of the Reporting Period, 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 report 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.

## 5. Management Discussion and Analysis on the Operations of the Group



### 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 operating 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.

## 5. Management Discussion and Analysis on the Operations of the Group

### (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 the end of the Reporting Period, 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 |



## 5. Management Discussion and Analysis on the Operations of the Group

### (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 balance, 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 (please refer to note 8 (4) to the financial report 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 report prepared in accordance with the PRC Accounting Standards.

## 5. Management Discussion and Analysis on the Operations of the Group

### 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 projects of Volga Conch, 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).



## 5. Management Discussion and Analysis on the Operations of the Group

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.

# 6. Significant Events



## (1) COMMITMENTS

In 2007, the Company issued A Shares to Conch Venture, a shareholder holding more than 5% of the Company's shares as at the end of the Reporting Period, 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) 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 will be published on the SSE website, the website of the Stock Exchange and the Company's website concurrently with this annual report.

## (3) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the 2015 annual general meeting of the Company, 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 2016, respectively, and engaged KPMG Huazhen LLP as the internal control auditor of the Company for the year of 2016. The financial audit services fees and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2016 amounted to RMB4.6 million and RMB0.6 million, totaling RMB5.2 million.

## 6. Significant Events

KPMG was first appointed as the auditors of the Company in 2006 and has provided audit services for the Company for 11 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 existing Directors, Supervisors, senior management, controlling shareholder and de facto controller was 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.

## (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 permitted 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 Shanghai Haiyi-logistics

On 30 June 2016, Shanghai Conch Logistics Co., Ltd. ("Shanghai Logistics", a wholly-owned subsidiary of the Company) and Shanghai Haiyi Shipping Co., Ltd. ("Shanghai Haiyi") entered into a transportation contract, pursuant to which Shanghai Haiyi has agreed to provide maritime transportation services for products such as cement, clinker and coal for the Group. Although no transaction amount is specified in the contract, Shanghai Logistics estimates that the transaction amount will not exceed RMB230 million, which will be determined and settled according to the volume of cargos actually transported by Shanghai Haiyi. The Group secured the maritime transportation services from Shanghai Haiyi by way of public tender.

As Shanghai Haiyi is a subsidiary of Conch Venture, and Conch venture holds more than 5% of the Company's shares, Shanghai Haiyi is also a connected person of the Company under the SSE Listing Rules. The above transaction constituted a connected transaction under the SSE Listing Rules. As the transaction was determined by way of public tender, it can be exempted from the review and disclosure as a connected transaction. In accordance with the HKSE Listing Rules, the above transaction did not constitute a connected transaction under the HKSE Listing Rules.

During the Reporting Period, the Group has taken the logistics services of Shanghai Haiyi for an amount of RMB136.97 million.

**2. Engineering design and technical services for cement and clinker projects**

On 11 March 2016, as approved by the Board, the Company and Anhui Conch Construction Materials Design Centre ("Conch Design Institute") entered into a design and technical service contract ("Design and Technical Service Contract"), pursuant to which Conch Design Institute has agreed to provide certain subsidiaries of the Company with engineering design and technical reform services for clinker production lines, cement grinding mills and residual heat electricity generation projects, with a contract sum of RMB90.74 million.

Conch Design Institute is a solely state-owned enterprise established in the PRC. As Conch Holdings, the controlling shareholder of the Company, is the sole shareholder of Conch Design Institute, and, under the SSE Listing Rules and the HKSE Listing Rules, Conch Design Institute is a connected person (or related party) of the Company. As such, the above transactions constituted connected (or related party) transactions as defined in the SSE Listing Rules and the HKSE Listing Rules.

As stipulated in the Design and Technical Services Contract, the design fee was determined by the parties after arm's length negotiation with reference to the Fee Scale for Project Inspection and Design promulgated by the National Development and Reform Commission of the PRC and the Ministry of Construction of the PRC in 2002 and based on the project scale, investment amount, scope of design, technical standards and the prevailing market fees for the provision of similar services. The design fee would be settled according to the progress of the project.

For the performance of the Design and Technical Services Contract (and only such contract), the transaction amounts incurred during the Reporting Period amounted to RMB8.87 million. If taking into account the amount incurred in connection with the performance of other similar contracts entered into in previous years, the accumulated transaction amounts with Conch Design Institute during the Reporting Period amounted to RMB22.30 million.

For details about the aforesaid transaction, please refer to the Company's announcement dated 11 March 2016 and published on the website of the Stock Exchange and the website of the Company respectively.

3. **Residual heat electricity generation projects, equipment supply and design services for coal-fired power plant projects**

On 19 September 2016, as approved by the Board, the Company and Conch Kawasaki Environmental Protection (海螺川崎環保公司) entered into a contract of equipment supply and design for coal-fired power plant projects and residual heat electricity generation projects, pursuant to which Conch Kawasaki Environmental Protection has agreed to provide supply and design services for a whole set of equipment for the coal-fired power plant projects and residual heat electricity generation projects to the four subsidiaries of the Company including North Sulawesi Conch and Barru Conch. The total contract sum was RMB619.15 million.

Conch Kawasaki Environmental Protection is a wholly foreign-owned enterprise established in the PRC and a subsidiary of CCVH. As Mr. Guo Jingbin (a former non-executive Director of the Company) serves as the chairman of CCVH and Ms. Zhang Mingjing (a former executive Director of the Company) serves as a non-executive director of CCVH, thus under the SSE Listing Rules, Conch Kawasaki Environmental Protection is a connected person of the Company. As such, the above transactions constituted connected transactions as defined in the SSE Listing Rules. The above transactions did not constitute connected transactions as defined in the HKSE Listing Rules.

The supplier and contract price for the supply of equipment and related supporting services for the coal-fired power plant projects and residual heat electricity generation projects were determined by way of public tender.

During the Reporting Period, the equipment price and design fee paid by the Group to Conch Kawasaki Environmental Protection amounted to RMB78.29 million.

For further details, please refer to the Company's announcement dated 19 September 2016 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 20 September 2016 and published on the SSE website, Shanghai Securities Journal and Securities Times. Such connected transactions are not subject to the approval by the shareholders at the general meeting.

4. **Purchase of milling equipment**

On 19 September 2016, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a sale and purchase contract on milling equipment ("Milling Equipment Contract"), pursuant to which the Company has agreed to purchase 5 sets of raw material milling equipment and 5 sets of coal milling equipment from Conch Kawasaki Energy Conservation, which would be installed at the cement and clinker production lines of the four overseas project companies including North Sulawesi Conch, etc. The total contract sum was RMB161.40 million.

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

The supplier and contract price for the purchase of raw material milling equipment and coal milling equipment were determined by way of public tender.

During the Reporting Period, for the performance of the Milling Equipment Contract (and only such contract), the Group had paid the relevant equipment price and design fee totaling RMB59.15 million to Conch Kawasaki Energy Conservation. 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 Energy Conservation during the Reporting Period amounted to RMB98.15 million.

For further details, please refer to the Company's announcement dated 19 September 2016 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 20 September 2016 and published on the SSE website, Shanghai Securities Journal and Securities Times. Such connected transactions are not subject to the approval by the shareholders at the general meeting.

**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 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.

## 2. Guarantees

During the Reporting Period, all the external guarantees of the Company were in compliance with the approval procedures of the Board and/or the general meeting, and the guarantees provided by the Company to its majority-owned subsidiaries and invested companies in aggregate amounted to RMB3,800.64 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 | Name of creditor |
|---|---|---|---|---|---|---|
| 1 | Liukuangruian | 51% | 100,000 | one year | 2016.01.28 | China Minsheng Bank, Shanghai Branch |
| 2 | Liukuangruian | 51% | 100,000 | one year | 2016.12.14 | Bank of China, Liuzhi Branch |
| 3 | Liukuangruian | 51% | 50,000 | one year | 2016.09.12 | China Merchants Bank, Liupanshui Sub-branch |
| 4 | North Sulawesi Conch | 100% | US$100 million (693,700) | one year | 2016.12.01 | Citibank, Jakarta Branch |
| 5 | Qianyang Conch | 100% | 150,000 | one year | 2016.05.16 | Agricultural Bank of China, Qianyang Sub-branch |
| 6 | Kalimantan Conch | 71.25% | US$20 million (138,740) | one year | 2016.06.14 | Sumitomo Mitsui Banking Corporation, Jakarta Branch |
| 7 | Indonesia Conch | 75% | US$25 million (173,430) | five years | 2016.04.25 | Bank of China (Hong Kong) Limited |
| 8 | Indonesia Conch | 75% | US$75 million (520,280) | three years | 2016.09.19 | ANZ Bank, Jakarta Branch |
| 9 | Goldsun Cement | 80% | 500,000 | two years | 2016.06.29 | HSBC Bank, Hefei Branch |
| 10 | Qianxinan | 51% | 25,500 | one year | 2016.12.28 | Bank of China, Xingyi Sub-branch |
| 11 | Xuancheng Conch | 100% | 50,000 | three years | 2016.05.25 | Agricultural Bank of China, Xuanzhou Sub-branch |
| 12 | Chaohu Conch | 100% | 188,000 | five years | 2016.12.02 | Industrial and Commercial Bank of China, Chaohu Juchao Sub-branch |
| 13 | Yingjiangyunhan | 90% | 100,000 | one year | 2016.05.17 | JPMorgan Chase Bank, Suzhou Branch |
| 14 | Liquan Conch | 100% | 90,000 | three years | 2016.05.13 | Agricultural Bank of China, Liquan Sub-branch |
| 15 | Guiyang Conch | 50% | 50,000 | one year | 2016.12.27 | Bank of China, Guizhou Branch |
| 16 | Guiyang Conch | 50% | 20,000 | two years | 2016.01.08 | China Construction Bank, Qingzhen Sub-branch |
| 17 | Ganzhou Conch | 55% | 500,000 | two years | 2016.03.31 | HSBC Bank, Hefei Branch |
| 18 | Ganzhou Conch | 55% | 200,000 | three years | 2016.06.29 | Industrial and Commercial Bank of China, Xinfeng Sub-branch |
| 19 | Ganzhou Conch | 55% | 100,000 | three years | 2016.08.30 | Industrial and Commercial Bank of China, Xinfeng Sub-branch |
| 20 | Tongren Conch | 51% | 51,000 | one year | 2016.12.29 | Bank of China, Tongren Branch |
| Total | | | 3,800,640 | | | |

## 6. Significant Events

Notes:

(1) The Company provided a guarantee for loans granted to Guiyang Conch, Tongren Conch and Qianxinan on a pro rata basis in accordance with its shareholding proportion;

(2) The Company provided full guarantee for the loans granted to the 6 majority-owned subsidiaries including Liukuangruian, Liuzhi Gongkuang (Group) Co., Ltd. (a shareholder holding 49% equity interests in Liukuangruian) provided equity pledge and other shareholders of Ganzhou Conch, Yingjiangyunhan, Goldsun Cement, Indonesia Conch and Kalimantan Conch provided counter-guarantee on a pro rata basis in proportion to their respective shareholding interests;

(3) The RMB-denominated amounts of the guarantees provided by the Company for the USD-denominated loans of Kalimantan Conch and Indonesia Conch as set out in the table above were translated at the exchange rate of the US Dollar against Renminbi on 31 December 2016;

(4) The loans guaranteed by the Company for the subsidiaries as set out in the table above were all for working capital purposes.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB3,800.64 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 Conch Construction Material International Trading Co., Ltd. in an amount of RMB360 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 RMB7,138.72 million.

As at the end of the Reporting Period, the balance of external guarantees provided by the Company (including those provided for its subsidiaries) in aggregate amounted to RMB8,315.51 million, including RMB-denominated guarantee of RMB5,296.88 million and USD-denominated guarantee of US$435.15 million (the USD-denominated guarantee balance was translated at the exchange rate of the US Dollar against Renminbi on 31 December 2016), representing 11.28% of the net assets of the Company as at the end of the Reporting Period, which did not exceed the limit of 50%.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries with a gearing ratio of over 70% amounted to RMB2,451.64 million.

During the Reporting Period, Chaohu Conch, a wholly-owned subsidiary of the Company, acquired the assets and liabilities related to the cement business of Chaodong Cement, assuming its borrowings from financial institutions, which were pledged by certain lands as well as machinery and equipment of Chaodong Cement. As at the end of the Reporting Period, the balance of the aforesaid pledged borrowings amounted to RMB60 million.

During the Reporting Period, save for the guarantee for two joint ventures, Sino-Myanmar and Papua Cement, 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, 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) CARING FOR THE UNDERPRIVILEGED

The Group proactively fulfilled its social responsibility as a large-scale enterprise, and has put great efforts in helping the underprivileged by many ways including providing support for the industry projects in impoverished areas, making donations for poor students, improving infrastructure at schools and extending care and relief materials to groups in difficulties, with an aim to realize value for the Company and contribute to the society.

In response to the approach and call by the Central Government to help the underprivileged, the Group encouraged and supported all subsidiaries and employees to participate in caring and poverty alleviation activities, so as to take substantive actions to express and offer care and love for the others. During the Reporting Period, the Group proactively donated cash and relief materials for the people in the impoverished areas, of which Huaining Conch made donation in cash to support the development of photovoltaic power project in the local poverty-stricken village – Sanling Village; Xuancheng Conch, Prosperity Conch and other subsidiaries organized all kinds of caring student activities such as voluntary donation for impoverished students, setting up bicycle parking sheds for local primary schools, donating books and exercising devices; Jiangmen Conch, Ganzhou Conch and other subsidiaries launched caring activities for the underprivileged including helping the poor families with minimal social security support to get their little wishes come true and providing care and relief materials to the groups in difficulties in the surrounding areas; Bozhou Conch proactively helped Conch Holdings in carrying out targeted poverty relief activities at Jianglaojia Village, Lixin County, Bozhou City, Anhui Province by launching several voluntary labor activities and donating relief materials.

Details on our efforts to provide care for the underprivileged during the Reporting Period are set out in the 2016 Social Responsibility Report prepared by the Company, 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)

| | Before change | | Increase/decrease(+,-) | | | After change | |
|---|---|---|---|---|---|---|---|
| Class of shares | 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 2016

| | A Share/RMB | H Share/HK$ |
|---|---|---|
| Opening price on the first trading day of the year | 17.09 | 20.65 |
| Closing price on the last trading day of the year | 16.96 | 21.1 |
| Highest trading price during the year | 19.07 | 23.5 |
| Lowest trading price during the year | 12.78 | 13.7 |

## (3) SHAREHOLDERS

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

**2.** As at 31 December 2016, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

| | Name of shareholder | Nature of shareholder | Number of shares held at the end of the Reporting Period (share) | Percentage of shareholding (%) | Class of shares |
|---|---|---|---|---|---|
| 1 | Conch Holdings (Note 2) | State-owned legal person | 1,948,869,927 | 36.78 | A Share |
| 2 | HKSCC Nominees Limited (Note 3) | Foreign legal person | 1,297,968,385 | 24.49 | H Share |
| 3 | 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. (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 |
| 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 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.





3. As at 31 December 2016, 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") (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. | 176,085,153 H Shares (long position) (Note 4) | Beneficial owner/ Investment manager/ Trustee/Approved lending agent | 13.54% (Note 3) |
| JPMorgan Chase & Co. | 12,533,158 H Shares (short position) (Note 4) | Beneficial owner | 0.96% (Note 3) |
| Taiwan Cement Corporation | 116,568,000 H Shares (long position) (Note 5) | Interest of a controlled corporation | 8.97% (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 |
|---|---|---|---|
| BlackRock,Inc. | 77,913,987 H Shares (long position) (Note 6) | Interest of a controlled corporation | 5.99% (Note 3) |
| Citigroup Inc. | 72,848,929 H Shares (long position) (Note 7) | Interest of a controlled corporation/Custodian | 5.61% (Note 3) |
| Citigroup Inc. | 37,829,699 H Shares (short position) (Note 7) | Interest of a controlled corporation | 2.91% (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.

(4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 20 December 2016 in respect of the relevant event that occurred on 16 December 2016, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 176,085,153 H Shares (long position), 60,766,585 Shares were held in the capacity of beneficial owner; 33,316,945 Shares in the capacity of investment manager; 22,465 H Shares in the capacity of trustee; and 81,979,158 Shares (securities in lending pool) in the capacity of approved lending agent.

(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 4 January 2017 in respect of the relevant event that occurred on 30 December 2016, these shares were held through certain subsidiaries of BlackRock, Inc..

(7) Based on the disclosure of interests form submitted by Citigroup Inc. on 3 January 2017 in respect of the relevant event that occurred on 30 December 2016, these shares were held through certain subsidiaries of Citigroup Inc.. Of the 72,848,929 H Shares (long position), 41,899,038 Shares were held in the capacity of interest of a controlled corporation, and 30,949,891 Shares (securities in lending pool) in the capacity of custodian.

Save for the aforesaid shareholders, as at 31 December 2016, 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 | : | 7 November 1996 |
| Registered capital | : | RMB800 million |
| Principal business activities | : | Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products (excluding hazardous products), electronic apparatus and instruments, production and sale of ordinary machinery and equipment, electricity, transportation, warehousing, construction project, import and export trading, mineral products (operated by subsidiaries), metal materials, craftwork, sale of general merchandise, property management, development of technological products, technical support services, printing, contracting of overseas building materials project and domestic and international bidding projects, and dispatch of service personnel for implementing the above overseas projects. |

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 SZSE) with an equity shareholding of 32.07%. During the Reporting Period, there was no change in the controlling shareholder of the Company.

**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 2016, the shareholding relationship structure among 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.

### (4) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

### (5) 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 pre-emptive right to acquire new shares in proportion to their shareholdings.

### (6) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

During the year ended 31 December 2016, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at the end of the Reporting Period, the Group had no redeemable securities.

### (7) TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

During the year ended 31 December 2016, 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.

# 8. Directors, Supervisors, Senior Management and Staff

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

### Existing Directors and Supervisors

| Name | Position | Gender | Age | Tenure |
|---|---|---|---|---|
| Gao Dengbang | Chairman and Executive Director | Male | 56 | 2 June 2016 – 1 June 2019 |
| Yang Mianzhi | Independent non-executive Director | Male | 48 | 2 June 2016 – 1 June 2019 |
| Tai Kwok Leung | Independent non-executive Director | Male | 60 | 28 May 2013 – 1 June 2019 |
| Leung Tat Kwong Simon | Independent non-executive Director | Male | 57 | 2 June 2016 – 1 June 2019 |
| Wang Jianchao | Deputy Chairman and Executive Director | Male | 53 | 21 August 2015 – 1 June 2019 |
| Wu Bin | Executive Director | Male | 52 | 2 June 2016 – 1 June 2019 |
| Ding Feng | Executive Director | Male | 45 | 2 June 2016 – 1 June 2019 |
| Zhou Bo | Executive Director | Male | 41 | 28 May 2013 -1 June 2019 |
| Qi Shengli | Chairman of Supervisory Committee | Male | 52 | 2 June 2015 – 1 June 2019 |
| Wang Pengfei | Supervisor | Male | 55 | 2 June 2015 – 1 June 2019 |
| Wang Chunjian | Staff representative Supervisor | Male | 48 | 23 March 2015 – 1 June 2019 |

### Existing Senior Management

| Name | Position | Gender | Age | Date of appointment |
|---|---|---|---|---|
| Wu Bin | General manager | Male | 52 | 21 August 2015 |
| Li Qunfeng | Deputy general manager | Male | 46 | 23 March 2015 |
| Li Xiaobo | Deputy general manager | Male | 47 | 23 March 2015 |
| Ding Feng | Deputy general manager | Male | 45 | 23 March 2015 |
| Li Leyi | Chief engineer of technical art | Male | 55 | 26 March 2012 |
| Zhou Bo | Chief accountant | Male | 41 | 22 March 2013 |
| Ke Qiubi | Assistant to general manager | Male | 54 | 26 March 2012 |
| Chen Yongbo | Assistant to general manager | Male | 52 | 20 August 2014 |
| Xia Xiaoping | Deputy chief accountant | Male | 59 | 22 March 2013 |
| Yang Kaifa | Secretary to the Board | Male | 43 | 1 April 2011 |
| Chiu Pak Yue, Leo | Company secretary (Hong Kong) | Male | 54 | 29 August 2000 |

## 8. Directors, Supervisors, Senior Management and Staff

### Resigned Directors During the Reporting Period

| Name | Position before resignation | Gender | Age | Date of resignation |
|---|---|---|---|---|
| Wong Kun Kau | Independent non-executive Director | Male | 57 | 2 June 2016 |
| Zhao Jianguang | Independent non-executive Director | Male | 52 | 2 June 2016 |
| Guo Jingbin | Non-executive Director | Male | 59 | 2 June 2016 |
| Zhang Mingjing | Executive Director | Female | 55 | 2 June 2016 |

**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 2015 (share) | Number of shares sold during the Reporting Period (share) | Number of shares held as at 31 December 2016 (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 | 12,000 | – | 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.

## 8. Directors, Supervisors, Senior Management and Staff

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

| Name | Position held in Conch Holdings | Tenure |
|---|---|---|
| Gao Dengbang | Chairman | From November 2015 to present |
| Wang Jianchao | Director and Deputy general manager | From May 2013 to present |
| Qi Shengli | Director | From May 2013 to present |
| | Deputy general manager | From March 2010 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 |
| | Head of the strategic planning department | From March 2016 to present |
| Chen Yongbo | Head of the safety and environmental protection department | From March 2016 to present |
| Xia Xiaoping | Head of the audit department | From March 2016 to present |

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

| Name | Position held in other entities |
|---|---|
| Qi Shengli | Chairman of Conch Profiles and Science |
| Wang Pengfei | ① Director of Conch Profiles and Science<br>② Chairman of Wuhu Conch International Hotel Co., Ltd.<br>③ Chairman of Yingde 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. **Gao Dengbang**, Chairman and an executive Director of the Company. Mr. Gao graduated from Huainan Mining Institute and also holds a doctor's degree in management from Hefei University of Technology. Since 1982, Mr. Gao had engaged in technological and corporate management work in Anhui Huaibei Mining Bureau. Since 1995, Mr. Gao had held various key managerial positions including deputy secretary and secretary of Anhui Provincial Committee of the Communist Youth League, secretary of Xuancheng Municipal Committee, mayor of Xuancheng Municipal Government, secretary of Wuhu Municipal Committee and chairman of the Standing Committee of Wuhu Municipal People's Congress. Mr. Gao has not only extensive experience in corporate management, but also the ability to lead the long-term development of local economy.

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. 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.

Mr. **Wu Bin**, an executive Director, 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. **Ding Feng**, an executive Director, deputy general manager of the Company and 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.

## 8. Directors, Supervisors, Senior Management and Staff

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. Mr. Zhou is currently also the head of the overseas sales department of the Company.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. **Yang Mianzhi**, an independent non-executive Director of the Company. Mr. Yang graduated from School of Business of China Renmin University with a doctor's degree in management. Mr. Yang is currently a member of the Professional Financial Management Committee of Accounting Society of China and a leading reserve talent of Ministry of Finance. Mr. Yang is the director of Accounting and Financial Research Center of Anhui University and professor at School of Business of Anhui University. Mr. Yang has extensive experience in corporate financial risk control, capital management, performance appraisal and incentive mechanism. Mr. Yang is currently an independent non-executive director of Anhui Expressway Company Limited (a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange (A share stock code: 600012 and H share stock code: 995)) and Anhui Guoyuan Securities Co., Ltd. (a company listed on the Main Board of the Shenzhen Stock Exchange (stock code: 000728)), respectively.

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. Mr. Tai currently also serves as an independent non-executive director of Luk Fook Holdings (International) Limited (a company listed on the Main Board of the Stock Exchange (stock code: 590)) and Jiayuan International Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2768)) respectively.

## 8. Directors, Supervisors, Senior Management and Staff

Mr. **Leung Tat Kwong Simon**, an independent non-executive Director of the Company. Mr. Leung graduated from the California State University, Long Beach, the US, with a bachelor of science degree in business computer method and a master's degree in business administration. He is currently the chairman of the board of i-Sprint Innovations Pte Ltd and a director or chairman of its certain subsidiaries, respectively, and a director of the fifth session of board of Beijing Teamsun Technology Co., Ltd (a company listed on the Shanghai Stock Exchange (stock code: 600410)) and a director of its subsidiary HOLUX Technology. Mr. Leung has rich practical experience in formulating and executing corporate strategy and the merger and acquisition of projects. Mr. Leung has been the managing director of the Greater China region of Sun Microsystems Inc. (a company listed on the NASDAQ (stock code: JAVA)), and is currently a director of AsiaSoft Company Limited and adjunct professor of Beijing Institute of Technology, Zhuhai.

### 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 organization and human resource 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 of the Company. 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. **Li Qunfeng**, deputy general manager of the Company, senior engineer. Mr. Li graduated from Luoyang Technology College and joined the Group in 1994. He 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 northern Anhui. 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. He held various positions such as technical director of Ningguo Cement Plant, assistant to the head, deputy head and executive deputy head of equipment department of the Company, executive deputy general manager of Prosperity Conch, chairman and general manager of Chongqing Conch, chairman and general manager of Dazhou Conch, officer-in-charge of the Regional Committee in Sichuan and Chongqing and officer-in-charge of the Regional Committee in northern Anhui. Mr. Li is also head of mechanical and electrical maintenance department of the Company.

Mr. **Li Leyi**, chief engineer of technical art of the Company, senior 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 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, production organization and corporate management.

Mr. **Ke Qiubi**, assistant to general manager of the Company, senior engineer. Mr. Ke graduated from Wuhan Industrial University and joined the Group in 1986. He held various leading positions including the deputy head of the mining sub-plant of 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.

## 8. Directors, Supervisors, Senior Management and Staff

Mr. **Chen Yongbo**, assistant to general manager of the Company, senior engineer. Mr. Chen graduated from Changchun Building Materials Technical School (長春建材工業學校) and joined the Group in 1986. 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 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 of the Company, 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.

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

As approved at the 2015 annual general meeting of the Company held on 2 June 2016, Mr. Gao Dengbang, Mr. Wang Jianchao, Mr. Wu Bin, Mr. Ding Feng and Mr. Zhou Bo were appointed as executive Directors of the seventh session of the Board; Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon were appointed as independent non-executive Directors of the seventh session of the Board; Mr. Qi Shengli and Mr. Wang Pengfei were appointed as the Supervisors of the seventh session of the Supervisory Committee; and Mr. Wang Chunjian was appointed as the staff representative Supervisor of the seventh session of the Supervisory Committee. The above appointments have become effective from 2 June 2016 and the term shall be three years.

The first meeting of the seventh session of the Board was held on the same day and unanimously elected Mr. Gao Dengbang as the chairman of the seventh session of the Board and Mr. Wang Jianchao as the deputy chairman. The first meeting of the seventh session of the Supervisory Committee unanimously elected Mr. Qi Shengli as the chairman of the seventh session of the Supervisory Committee.

Mr. Wong Kun Kau, Mr. Zhao Jianguang, Mr. Guo Jingbin and Ms. Zhang Mingjing ceased to be the Directors and ceased to occupy positions in the special committees under the Board upon the expiry of their terms of office. The Board would like to extend its heartfelt gratitude to the aforesaid retired directors for their positive and significant contribution to the development of the Company during their tenure of 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”.

During the Reporting Period, 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 current year.

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 annual 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.

## (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 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 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" under the section headed "9. Corporate Governance" of this annual report.

**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 |
|---|---|---|
| Gao Dengbang | Chairman and executive Director | 0 |
| Wang Jianchao | Deputy Chairman and executive Director | 620,398.15 |
| Wu Bin | Executive Director and general manager | 1,061,578.47 |
| Ding Feng | Executive Director and deputy general manager | 884,367.61 |
| Zhou Bo | Executive Director and chief accountant | 904,703.26 |
| Yang Mianzhi | Independent non-executive Director | 151,470.59 |
| Tai Kwok Leung | Independent non-executive Director | 151,470.59 |
| Leung Tat Kwong Simon | Independent non-executive Director | 151,470.59 |
| Qi Shengli | Chairman of Supervisory Committee | 0 |
| Wang Pengfei | Supervisor | 0 |
| Wang Chunjian | Staff representative Supervisor | 0 |
| Li Qunfeng | Deputy general manager | 981,065.34 |
| Li Xiaobo | Deputy general manager | 896,656.84 |
| Li Leyi | Chief engineer of technical art | 885,907.73 |
| Ke Qiubi | Assistant to general manager | 882,229.20 |
| Chen Yongbo | Assistant to general manager | 805,699.61 |
| Xia Xiaoping | Deputy chief accountant | 807,934.69 |
| Yang Kaifa | Secretary to the Board | 808,043.97 |

Notes:

1. The above-mentioned annual remunerations included basic salary, bonus, housing provident fund and various insurances paid by the individual and the Company.

2. During the Reporting Period, Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon 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.

3. The remuneration of Mr. Wang Jianchao was evaluated by Anhui SASAC and assessed in combination with the fulfillment by Conch Holdings of its business targets.

4. Mr. Gao Dengbang, Mr. Qi Shengli, Mr. Wang Pengfei and Mr. Wang Chunjian did not receive any remuneration from the Company.

## 8. Directors, Supervisors, Senior Management and Staff

Remuneration received by the resigned Directors, Supervisors and senior management for the year

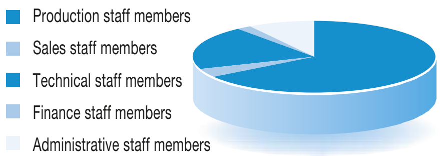
During the Reporting Period, the resigned executive Director Ms. Zhang Mingjing received the remuneration in an amount of RMB120,751.20 (tax inclusive) for the six months ended 30 June 2016, while the resigned independent non-executive Directors Mr. Wong Kun Kau, Mr. Zhao Jianguang and non-executive Director Mr. Guo Jingbin did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration for the Reporting Period.

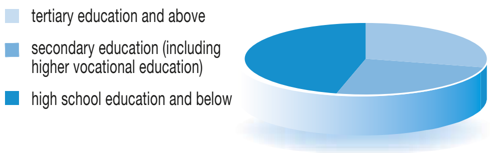
### (6) HIGHEST PAID INDIVIDUALS

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 2016, there were 44,859 staff members under the employment of the Group, of which 28,441 were production staff members, 1,792 were sales staff members, 9,637 were technical staff members, 933 were finance staff members, 4,056 were administrative and management staff members. 12,149 of them received tertiary education and above, 9,754 had secondary education (including higher vocational education), and 22,956 received high school education and below. The professional structure and education background of the employees are set out 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. Leveraging on the training resources of domestic universities, the headquarters of the Group provided off-the-job training for the cadres, thus effectively improving all the cadres' ability in production, operation and management. Meanwhile, efforts were made by each regional branch to strengthen trainings for middle management staff by providing various forms of training including outward development training and internal seminar exchange, so as to improve the professional management capability of the middle management staff. In light of the actual training needs, the subsidiaries also provided daily training for staff from different functions and departments, 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 IFRSs. Pension recorded in the income statement of the Group for the year ended 31 December 2016 amounted to RMB412.34 million.

### (9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2016, the total housing welfare fund paid by the Group amounted to approximately RMB251.58 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 management and control 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.

## (2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

On 2 June 2016, the 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 3 June 2016.

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 shareholders' meetings convened in 2016, 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 2016, 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 2016, 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.

## (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 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.

### 3. The Board

As at 31 December 2016, composition of the Board of the Company is as follows:

| Name | Position |
|---|---|
| Gao Dengbang | Chairman and executive Director |
| Wang Jianchao | Deputy Chairman and executive Director |
| Yang Mianzhi | Independent non-executive Director |
| Tai Kwok Leung | Independent non-executive Director |
| Leung Tat Kwong Simon | Independent non-executive Director |
| Wu Bin | Executive Director |
| Ding Feng | 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 chief executive officer.

During the Reporting Period, three physical meetings of the Board of the Company were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 32 resolutions passed during the Reporting Period. As an election of the Board was conducted during the Reporting Period (for further details, please refer to the sub-paragraph headed "Appointment or Cessation in Office of Directors, Supervisors and Senior Management during the Reporting Period" under Chapter 8 in this report), the attendance and voting rates of the Directors during their respective term of office are set out as follows:

Directors of the sixth session of the Board:

| Name | Attendance rate of physical meeting | Voting rate of resolutions |
|---|---|---|
| Wang Jianchao | 100% | 100% |
| Wong Kun Kau | 100% | 100% |
| Tai Kwok Leung | 100% | 100% |
| Zhao Jianguang [Note] | 100% | 100% |
| Guo Jingbin | 100% | 100% |
| Zhang Mingjing | 100% | 100% |
| Zhou Bo | 100% | 100% |

Note: Mr. Zhao Jianguang did not physically attend the seventh meeting of the sixth session of the Board of the Company as at 23 March 2016, and Mr. Wong Kun Kau was appointed and authorised to attend and vote on his behalf.

Directors of the seventh session of the Board:

| Name | Attendance rate of physical meeting | Voting rate of resolutions |
|---|---|---|
| Gao Dengbang | 100% | 100% |
| Wang Jianchao | 100% | 100% |
| Yang Mianzhi | 100% | 100% |
| Tai Kwok Leung | 100% | 100% |
| Leung Tat Kwong Simon | 100% | 100% |
| Wu Bin | 100% | 100% |
| Ding Feng | 100% | 100% |
| Zhou Bo | 100% | 100% |

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 on the Operations of the Group" 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 complying 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 the Directors for reference by way of e-mail or as a report, 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.

During the Reporting Period, Mr. Leung Tat Kwong Simon, the newly appointed independent director of the Company, participated in the forty-seventh qualification training of independent directors held by the SSE and obtained the qualification certificate of independent directors issued by the SSE.

For the year ended 31 December 2016, all Directors had participated in continuous professional development training.

**5. Chairman and Chief Executive Officer**

Mr. Gao Dengbang and Mr. Wu Bin acted as the Chairman and the chief executive officer (i.e. the general manager) of the Company respectively.

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

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

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

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

The Company has received confirmation letters for the year from Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon, 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.

**7. Remuneration and Nomination Committee of the Board**

Pursuant to the HKSE Listing Rules, the Board of the Company has established a 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.

## 9. Corporate Governance

The Remuneration and Nomination Committee regularly review 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, as an election of the Board of the Company was conducted, adjustments were made to the composition of the Remuneration and Nomination Committee under the Board. The Remuneration and Nomination Committee of the seventh session of the Board comprised of five members, namely Mr. Tai Kwok Leung, Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon, Mr. Wang Jianchao and Mr. Wu Bin, with Mr. Tai Kwok Leung acting as the chairman; Mr. Zhao Jianguang, Mr. Wong Kun Kau, Mr. Guo Jingbin and Ms. Zhang Mingjing ceased to be members of the Remuneration and Nomination Committee.

During the Reporting Period, the Remuneration and Nomination Committee of the Board held two meetings. The meeting held on 23 March 2016 was attended by four committee members, except Mr. Zhao Jianguang, the chairman of the committee, who failed to attend the meeting due to other business trip and appointed and authorised Mr. Wong Kun Kau to attend and vote on his behalf, while the meeting held on 2 June 2016 was attended by all of the committee members. Matters discussed and considered at each meeting were as follows:

The following resolutions were considered and approved at the meeting held on 23 March 2016: (i) remuneration of the senior management of the Company for year 2015 and the remuneration appraisal targets of the senior management of the Company for year 2016; (ii) the resolution regarding the nomination of candidates of Directors for the seventh session of the Board; and (iii) review of and agreement with the structure, number of members and composition of the Board for the time being.

The following resolution were considered and approved at the meeting held on 2 June 2016: agreement with appointment of Mr. Tao Yong as secretary to the Remuneration and Nomination Committee of the seventh session of the Board of the Company; and cessation of Mr. Wang Jianchao acting as secretary to the Remuneration and Nomination Committee of the Board of the Company.

The Remuneration and Nomination Committee of the Board reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2016 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 8 "Directors, Supervisors, Senior Management and Staff" in this report.

**8. Audit Committee of the Board**

The Board has established an 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 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 assessment 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 the second half of the year.

During the Reporting Period, as an election of the Board of the Company was conducted, adjustments were made to the composition of the Audit Committee under the Board. The Audit Committee of the seventh session of the Board comprised of three members, namely Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon, with Mr. Yang Mianzhi acting as the chairman; Mr. Wong Kun Kau and Mr. Zhao Jianguang ceased to be members of the Audit Committee.

## 9. Corporate Governance

During the Reporting Period, the Audit Committee held five meetings, four of which (i.e. meetings held on 19 January 2016, 2 March 2016, 2 June 2016 and 22 August 2016 respectively) were attended by all of the committee members in person, while for the Audit Committee meeting held on 23 March 2016, Mr. Zhao Jianguang, a member of the committee, failed to attend the meeting due to other business trip and appointed and authorised Mr. Wong Kun Kau to attend and vote on his behalf. Matters discussed at each meeting were as follows:

(1) On 19 January 2016, the Audit Committee held telephone conference to review the financial statements prepared by the Company for the year 2015 and listened to the reporting by the Company's management on operation of the Company for 2015 and the arrangement on the preparation of financial report and the main focus. 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 2015.

(2) On 2 March 2016, the Audit Committee listened to the reporting by KPMG on the progress of the auditing by way of telephone conference, and considered that the auditors will be able to complete the audit within the scheduled time frame.

(3) On 23 March 2016, the Audit Committee held a meeting which considered and passed the following resolutions: (i) the annual financial report for the year ended 31 December 2015 prepared in accordance with the PRC Accounting Standards and IFRSs respectively, which was subsequently submitted to the Board for approval; (ii) the annual report, its summary and result announcement for the year 2015, which was subsequently submitted to the Board for approval; (iii) the assessment report on internal control for the year 2015, which was subsequently submitted to the Board for approval; (iv) the report on the connected transactions which took place in 2015; (v) the resolution regarding the provision of guarantee by the Company for bank loans granted to its subsidiaries, which was subsequently submitted to the Board for approval; and (vi) 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.

    On 23 March 2016, the Audit Committee issued an assessment 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 the Company 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 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 2 June 2016, the Audit Committee held a meeting which considered and passed the following resolution: agreement with appointment of Mr. Zhou Bo as secretary to the Audit Committee of the seventh session of the Board of the Company.

(5) On 22 August 2016, the Audit Committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for the year 2016 prepared in accordance with the IFRSs and PRC Accounting Standards respectively, which was subsequently submitted to the Board for approval; (ii) the half-yearly report for the year 2016 and its summary and the half-yearly results announcement, which was subsequently submitted to the Board for approval.

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 2016, 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 2016 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 2016 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

(3) On 23 March 2017, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2016 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 2016, 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 2016.

### 10. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2016 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 2016, 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 2016 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.

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 2016, and has issued a standard unqualified audit report on internal control. 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 (address: No.39, Wenhua Road, Wuhu City, Anhui Province, the PRC).



### 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 of Bonds (RMB billion) | Interest Rate (%) | Principal and Interest Payment | Stock Exchange |
|---|---|---|---|---|---|---|---|---|
| 2011 Corporate Bonds of Anhui Conch Cement Company Limited ("2011 Corporate Bonds") | 11Conch01 (11海螺01) | 122068 | 2011.5.23 | 2016.5.22 | 0 | 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 | 25 | 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 | 25 | 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 | 35 | 5.10 | | |

Note:

1. 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.

2. The 2011 Corporate Bonds "11 Conch 01" was due on 22 May 2016, the principal and interest of which were fully paid. Please refer to the announcement of the Company dated 12 May 2016 for the details.

## 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 | Zhang Caihong (張彩虹) |
| | Telephone | 010-5680 0319 |
| Trustee of 2012 Corporate Bonds | Name | Zhong De Securities Company Limited (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 | Li Bingting (李冰婷) |
| | Telephone | 010-5902 6656 |
| 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.

## 10. Information on Corporate Bonds

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.

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

According to the two credit rating notices (Xinpingweihanzi [2016] tracking No.021 and Xinpingweihanzi [2016] tracking No.022) and tracking rating reports issued by China Chengxin Securities Rating Company Limited ("China Chengxin") in April 2016, 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 15 April 2016.

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 expect to issue the rating reports in April 2017, 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 2016, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB9.35 billion (including the guarantee provided for the two tranches of corporate bonds issued by the Company in an aggregate amount of RMB8.5 billion), representing 33.1% of the unaudited net assets (excluding minority interests) of Conch Holdings as at 31 December 2016.

## 10. Information on Corporate Bonds

The debt repayment plan for the seven-year bonds of the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company is as follows:

The interests of the seven-year bonds of the 2011 Corporate Bonds of the Company 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.

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 of the Company 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.

## 10. Information on Corporate Bonds

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 2016 are as follows:

| Items | As at 31 December 2016 |
|---|---|
| Net assets (billion) | 81.955 |
| Gearing ratio (%) | 28.4 |
| Return on net assets (%) | 11.5 |
| Current ratio (times) | 2.34 |
| Quick ratio (times) | 1.97 |

### (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 (2015) in April 2016, 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 Company Limited disclosed the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2015) in April 2016, 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 | **31 December 2016** | 31 December 2015 | Year-on-year change between 2016 and 2015 (%) | Reason for the change |
|---|---|---|---|---|
| Net cash flow generated from investing activities (RMB'000) | **-4,552,247** | –12,719,267 | 64.21 | Decrease in the term deposits with a maturity of over three months as compared to that of last year |
| Net cash flow generated from financing activities (RMB'000) | **-7,150,950** | –5,395,324 | –32.54 | Repayment of corporate bonds due |
| Balance of cash and cash equivalents at the end of the period (RMB'000) | **5,799,567** | 4,285,034 | 35.34 | Increase in the cash flow generated from operating activities |
| Current ratio (%) | **172.41** | 128.45 | Increased by 43.96 percentage points | Repayment of corporate bonds due |
| Quick ratio (%) | **145.73** | 107.68 | Increased by 38.05 percentage points | Repayment of corporate bonds due |
| Gearing ratio (%) | **26.68** | 30.13 | Decreased by 3.45 percentage points | |
| EBITDA/total debts ratio | **0.59** | 0.49 | 20.41 | |
| Loan repayment rate (%) | **100** | 100 | – | |

## 10. Information on Corporate Bonds

| Major indicators | 2016 | 2015 | Year-on-year change between 2016 and 2015 (%) | Reason for the change |
|---|---|---|---|---|
| Profit before interests, taxation, depreciation and amortization (RMB'000) | **17,197,958** | 15,461,538 | 11.23 | |
| Interest coverage ratio | **15.36** | 11.36 | 35.21 | Increase in total profit and decrease in finance costs |
| Cash interest coverage ratio | **16.27** | 10.23 | 59.04 | Increase in total profit and decrease in finance costs |
| EBITDA interest coverage ratio | **21.20** | 15.97 | 32.75 | Increase in total profit and decrease in finance costs |
| Interest payment ratio (%) | **100** | 100 | – | |

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

As at the end of the Reporting Period, save for the pledge of certain machinery and equipment of Chaohu Conch as described in the paragraph headed "Guarantees" in chapter six, no other assets of the Company 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 were 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 RMB59.132 billion and US$5.458 billion, of which an amount of RMB6.506 billion and US$138 million were drawn and an amount of RMB52.626 billion and US$5.32 billion remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB6,046.57 million according to the operation and development needs of the Company, and repaid bank loans of RMB2,255.55 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 have any significant events which might impact the operation and solvency of the Company.

KPMG

to the shareholders of
**Anhui Conch Cement Company Limited**
*(Incorporated in The People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 102 to 250, which comprise the consolidated statement of financial position as at 31 December 2016, 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 flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (CONTINUED)

**Revenue recognition**

Refer to note 5 to the consolidated financial statements and the accounting policies on page 133.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| The principal activities of the Group are the manufacture and sale of clinker and cement products.<br><br>The Group recognised revenue from the sales of clinkers and cement products of RMB54,830,637 thousand for the year ended 31 December 2016, which was mainly generated from domestic sales.<br><br>Revenue from domestic sales of clinker and cement products is recognised when the risks and rewards of the underlying products have been transferred to customers which is generally when the products leave the Group's warehouses in accordance with the terms of the sales contracts.<br><br>We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations. | Our audit procedures to assess the recognition of revenue included the following:<br><br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;<br><br>• inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the transfer of risks and rewards of the ownership of the products sold and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;<br><br>• comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;<br><br>• comparing, on a sample basis, revenue transactions recorded before and after the financial year end date with goods delivery notes and other relevant documentation to assess whether the revenue had been recognised in the appropriate financial period; and<br><br>• inspecting underlying documentation for manual journal entries relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria. |

## KEY AUDIT MATTERS (CONTINUED)

**Assessing impairment of property, plant and equipment**

Refer to note 14 to the consolidated financial statements and the accounting policies on page 124.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| Property, plant and equipment of the Group represents plant and buildings, cement and clinker production machinery and other equipment.<br><br>During the year ended 31 December 2016, the Group recognised impairment losses of RMB377,956 thousand in respect of property, plant and equipment.<br><br>During the year ended 31 December 2016, certain subsidiaries of the Group suffered losses due to the adverse market conditions and the economic environment in the regions in which these subsidiaries operate and certain property, plant and equipment was identified as obsolete which management considered to be indicators of potential impairment. There is a risk that the value of the property, plant and equipment of the Group may not be recoverable in full through the future cash flows to be generated from operations or from disposal of these assets.<br><br>The recoverable amount of property, plant and equipment was determined by management at the greater of the value in use and the fair value less cost of disposal of these assets. To determine the value in use, a discounted cash flow forecast for each separately identifiable cash-generating unit ("CGU") to which the assets were allocated was prepared by management which involved the exercise of significant management judgement, particularly in estimating future revenue and cost growth rates, inflation and the discount rates applied all of which can be inherently uncertain. | Our audit procedures to assess impairment of property, plant and equipment included the following:<br><br>• evaluating management's identification of CGUs and the amounts of the property, plant and equipment allocated to each CGU and evaluating the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards;<br><br>• comparing data in the discounted cash flow forecasts prepared by management with the relevant data, including forecast revenue, forecast cost of sales and forecast other operating expenses, in the financial budgets approved by the board of directors, third party reports and industry statistics;<br><br>• with the assistance of our internal valuation specialists, challenging and assessing the assumptions and critical judgements adopted by management in the impairment assessments relating to estimating future revenue and cost growth rates, inflation and the discount rates applied to derive the value in use of each CGU by comparing these assumptions with historical performance, management's forecasts, operations of comparable companies and external market data and making enquiries of management as to the reasons for any significant variations identified; |

## KEY AUDIT MATTERS (CONTINUED)

**Assessing impairment of property, plant and equipment (continued)**

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| We identified assessing impairment of property, plant and equipment as a key audit matter because determining the level of impairment involves a significant degree of management judgement, particularly in forecasting future cash flows and estimating the recoverable amounts of these assets both of which are inherently uncertain and may be subject to management bias. | • comparing the actual results of each CGU for the current year with forecasts prepared by management in the previous year to assess the accuracy of management's forecasting process;<br><br>• evaluating the sensitivity analyses prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts and considering the possibility of error or management bias; and<br><br>• considering whether the disclosures in the consolidated financial statements in respect of the impairment assessments reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON (CONTINUED)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

**KPMG**
*Certified Public Accountants*

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

23 March 2017

## Consolidated statement of profit or loss for the year ended 31 December 2016

*(Expressed in Renminbi Yuan)*

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | 5 | **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 | 6 | **1,187,329** | 1,790,723 |
| Other net income | 6 | **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 | 7(a) | **(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** | 7 | **11,699,329** | 10,085,520 |
| Income tax | 8(b) | **(2,702,563)** | (2,440,472) |
| **Profit for the year** | | **8,996,766** | 7,645,048 |
| **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** | 12 | | |
| – Basic | | **RMB1.62** | RMB1.42 |
| – Diluted | | **RMB1.62** | RMB1.42 |

The notes on pages 108 to 250 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).

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

*(Expressed in Renminbi Yuan)*

| | 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)** | 11 | | |
| 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 |

The notes on pages 108 to 250 form part of these financial statements.

## Consolidated statement of financial position at 31 December 2016

*(Expressed in Renminbi Yuan)*

| | Note | 2016 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| – Investment properties | 13 | | **27,967** | | 40,156 |
| – Other property, plant and equipment | 14 | | **64,660,953** | | 64,107,776 |
| – Lease prepayments | 15 | | **4,819,674** | | 4,489,095 |
| Intangible assets | 16 | | **2,912,630** | | 2,878,148 |
| Goodwill | 17 | | **493,648** | | 463,731 |
| Interest in associates | 19 | | **2,143,046** | | 2,207,688 |
| Interest in joint ventures | 20 | | **1,172,383** | | 767,749 |
| Loans and receivables | 21 | | **206,830** | | 251,964 |
| Available-for-sale equity securities | 22 | | **2,935,177** | | 3,249,600 |
| Deferred tax assets | 34(b) | | **529,547** | | 453,936 |
| Prepayment for long-term assets | 23 | | **28,912** | | 445,547 |
| | | | **79,930,767** | | 79,355,390 |
| **Current assets** | | | | | |
| Inventories | 24 | **4,548,534** | | 4,238,039 | |
| Trade receivables | 25 | **7,145,293** | | 4,887,786 | |
| Prepayments and other receivables | 26 | **1,904,169** | | 2,168,399 | |
| Amounts due from related parties | 27 | **301,952** | | 316,079 | |
| Tax recoverable | 34(a) | **97,423** | | 344,253 | |
| Restricted cash deposits | | **286,417** | | 186,412 | |
| Bank deposits with maturity over three months | | **9,500,000** | | 10,000,000 | |
| Cash and cash equivalents | 28 | **5,799,566** | | 4,285,034 | |
| | | **29,583,354** | | 26,426,002 | |
| **Current liabilities** | | | | | |
| Trade payables | 29 | **4,362,893** | | 3,872,683 | |
| Other payables and accruals | 30 | **7,293,525** | | 7,506,032 | |
| Bank loans and other borrowings | 31 | **4,537,632** | | 8,445,248 | |
| Amounts due to related parties | 27 | **235,716** | | 319,043 | |
| Current taxation | 34(a) | **619,459** | | 259,155 | |
| | | **17,049,225** | | 20,402,161 | |

The notes on pages 108 to 250 form part of these financial statements.

## Consolidated statement of financial position at 31 December 2016 (continued)

*(Expressed in Renminbi Yuan)*

| | Note | 2016 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|---|
| **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 | 32(a) | **11,443,109** | | 10,739,682 | |
| Deferred income | 35 | **569,580** | | 536,693 | |
| Deferred tax liabilities | 34(b) | **474,375** | | 558,347 | |
| | | | **12,487,064** | | 11,834,722 |
| **NET ASSETS** | | | **79,977,832** | | 73,544,509 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 36(c) | | **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 Deng Bang**
*Directors*

**Zhou Bo**
*Directors*

The notes on pages 108 to 250 form part of these financial statements.

# Consolidated statement of changes in equity for the year ended 31 December 2016

*(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 other 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 year | | – | – | – | – | – | – | 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 |

| | | **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 other comprehensive income of the investees RMB'000** | **Total RMB'000** | **Non-controlling interests RMB'000** | **Total equity RMB'000** |
| **Balance at 1 January 2016** | | **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** |
| **Changes in equity for 2016:** | | | | | | | | | | | | |
| Profit for the year | | **-** | **-** | **-** | **-** | **-** | **-** | **8,573,868** | **-** | **8,573,868** | **422,898** | **8,996,766** |
| Other comprehensive income | 11 | **-** | **-** | **-** | **45,525** | **-** | **(202,967)** | **-** | **23,258** | **(134,184)** | **9,866** | **(124,318)** |
| Total comprehensive income | | **-** | **-** | **-** | **45,525** | **-** | **(202,967)** | **8,573,868** | **23,258** | **8,439,684** | **432,764** | **8,872,448** |
| Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(225,488)** | **(225,488)** |
| Dividends approved in respect of the previous year | 36(b)(ii) | **-** | **-** | **-** | **-** | **-** | **-** | **(2,278,700)** | **-** | **(2,278,700)** | **-** | **(2,278,700)** |
| Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **65,063** | **65,063** |
| **Balance at 31 December 2016** | | **5,299,303** | **10,243,790** | **216,258** | **16,412** | **2,649,654** | **539,651** | **57,308,728** | **34,758** | **76,308,554** | **3,669,278** | **79,977,832** |

The notes on pages 108 to 250 form part of these financial statements.

# Consolidated cash flow statement for the year ended 31 December 2016

*(Expressed in Renminbi Yuan)*

| | Note | 2016 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash generated from operations | 28(b) | **15,517,169** | | 12,979,094 | |
| – Income tax paid | | **(2,320,412)** | | (3,070,920) | |
| – Interest paid | | **(1,005,898)** | | (964,255) | |
| **Net cash generated from operating activities** | | | **12,190,859** | | 8,943,919 |
| **Investing activities** | | | | | |
| Payment for the purchase of property, plant and equipment | | **(4,581,167)** | | (4,619,439) | |
| Proceeds from disposal of property, plant and equipment | | **116,331** | | 92,328 | |
| Payment for lease prepayments | | **(259,831)** | | (431,187) | |
| Proceeds from disposal of lease prepayments | | **43,033** | | 47,201 | |
| Payment for the purchase of intangible assets | | **(140,497)** | | (116,755) | |
| Loans to related parties and third party | | **–** | | (417,789) | |
| Loans repaid by related parties and third party | | **200,000** | | 217,789 | |
| Proceeds from sale of | | | | | |
| – derivative financial instruments | | **–** | | 159,747 | |
| – available-for-sale equity securities | | **545,165** | | 1,565,838 | |
| New advances to government | | **(108,085)** | | (99,230) | |
| Receipts of advances to government | | **142,856** | | 337,585 | |
| New bank deposits with maturity over three months | | **(15,000,000)** | | (22,000,000) | |
| Proceeds from maturity of bank deposits over three months | | **15,500,000** | | 13,500,000 | |
| Interest received | | **294,476** | | 459,364 | |
| Dividends received from an associate | | **–** | | 5,841 | |
| Payment for the investment in an associate | 19 | **–** | | (1,449,829) | |
| Proceeds from sale of the investment in an associate | 19 | **–** | | 2,558,096 | |
| Payment for the investment in joint ventures | | **(456,493)** | | (313,196) | |
| Dividends received from joint ventures | | **19,999** | | 23,358 | |
| Acquisitions of subsidiaries and business, net of cash acquired | | **(871,977)** | | (1,801,402) | |
| Dividends received from investment in securities | | **3,939** | | 9,385 | |
| Increase in restricted cash deposits | | **–** | | (1,425) | |
| Prepayment for an acquisition of business | | **–** | | (445,547) | |
| **Net cash used in investing activities** | | | **(4,552,251)** | | (12,719,267) |
| **Financing activities** | | | | | |
| Payment for acquisition of non-controlling interests | | **–** | | (34,747) | |
| Proceeds from new bank loans and other borrowings | | **5,704,875** | | 2,899,610 | |
| Repayment of bank loans and other borrowings | | **(9,243,268)** | | (3,670,050) | |
| Dividends paid to non-controlling interests of non-wholly owned subsidiaries | | **(279,254)** | | (472,995) | |
| Dividends paid to equity shareholders of the Company | | **(2,279,483)** | | (3,444,547) | |
| Capital contribution from non-controlling interests | | **65,063** | | 368,562 | |
| Other payments related to financing activities | | **(112,986)** | | (76,902) | |
| **Net cash used in financing activities** | | | **(6,145,053)** | | (4,431,069) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,493,555** | | (8,206,417) | |
| **Effect of foreign exchange rate changes** | | **20,977** | | (20,670) | |
| **Cash and cash equivalents at 1 January** | 28(a) | | **4,285,034** | | 12,512,121 |
| **Cash and cash equivalents at 31 December** | 28(a) | | **5,799,566** | | 4,285,034 |

The notes on pages 108 to 250 form part of these financial statements.

## 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 disclosure 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. Significant accounting policies adopted by the Group are disclosed 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. 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.

#### (b) 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.

## 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 (continued)**

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

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

– derivative financial instruments (see note 2(h)).

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Changes in accounting policies

The IASB has issued a number of 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.

#### (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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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)).

## 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)

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.

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Associates and joint ventures (continued)

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.

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).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### (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:

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

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

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

When the investments are derecognised 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Derivative financial instruments

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

#### (i) Investment property

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

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

## 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.

## 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.

## 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)).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Leased assets (continued)

*(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.

*(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)).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(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.

## 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.

## 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.

## 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 in the Company's statement of financial position, and investments in associates and joint ventures in the Group's statement of financial position.

## 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).

## 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.

## 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.

## 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.

## 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.

## 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.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Income tax (continued)

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.

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.

# 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)(ii) 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.

## 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.

**(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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(x) Revenue recognition (continued)**

*(ii) Rental income from operating leases*

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

*(iii) Dividends*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(iv) Interest income*

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

*(v) Government grants*

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

(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.

## 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: (continued)

(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.

**(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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

#### (a) Sources of estimation uncertainty

Notes 14, 17 and 37 contain information about the assumptions and their risk factors relating to property, plant and equipment impairment, goodwill impairment and fair value of financial instruments.

### 4 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 RMB812,960,000 and profit of RMB68,165,000 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 RMB56,025,666,000, and the consolidated profit for the year would have been RMB8,995,566,000. 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 4 BUSINESS COMBINATION (CONTINUED)

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 (Note 17) | 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 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**<br>**RMB'000** | 2015<br>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.

## 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*

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.

## 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 2016 and 2015 is set out below:

**For the year ended 31 December 2016**

| | 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 5b(ii)) RMB'000 | Total 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 |

# 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)*

**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 5b(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 |

# 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*

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

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

| | 2016<br>RMB'000 | 2015<br>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.

## 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 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 |

## 6 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 6 OTHER REVENUE AND NET INCOME (CONTINUED)

| | 2016<br>RMB'000 | 2015<br>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 |

### 7 PROFIT BEFORE TAXATION

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

| | 2016<br>RMB'000 | 2015<br>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 capitalised 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%).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 7 PROFIT BEFORE TAXATION (CONTINUED)

| | **2016**<br>**RMB'000** | 2015<br>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 |

| | Note | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|---|
| **(c) Other items** | | | |
| Amortisation | | | |
| – interest in leasehold land held for own use under operating leases | 15 | **117,481** | 106,917 |
| – intangible assets | 16 | **137,603** | 140,283 |
| Depreciation | | | |
| – investment properties | 13 | **1,054** | 1,263 |
| – property, plant and equipment | 14 | **4,496,581** | 4,210,856 |
| Impairment losses | | | |
| – property, plant and equipment | 14 | **377,956** | – |
| Reversal of impairment losses | | | |
| – prepayments and other receivables | | **(109)** | (140) |
| Auditors' remuneration | | | |
| – audit services | | **5,190** | 4,990 |
| – other services | | **209** | 19 |

## 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 statement of profit or loss represents:**

| | **2016** **RMB'000** | 2015 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 2016 and 2015 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

## 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 statement of profit or loss represents: (continued)

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% |
| 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% |

## 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 statement of profit or loss represents: (continued)

| | |
|---|---|
| Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian")<br>貴州六礦瑞安水泥有限公司 (Note (i)) | 15% |
| Qianxian Conch Cement Co., Ltd. ("Qianxian Conch")<br>乾縣海螺水泥有限責任公司 (Note (i)) | 15% |
| Qianxinan Resource Development Co., Ltd. ("Qianxinan")<br>黔西南州發展資源開發有限公司 (Note (i)) | 15% |
| Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement")<br>四川南威水泥有限公司 (Note (i)) | 15% |
| Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch")<br>雲南壯鄉水泥股份有限公司 (Note (i)) | 15% |
| Liangping Conch Cement Co., Ltd. ("Liangping Conch")<br>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")<br>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")<br>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.

## 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:**

| | **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 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 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:

| | Directors' fee RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement plan contributions RMB'000 | 2016 Total RMB'000 |
|---|---|---|---|---|---|
| ***Chairman*** | | | | | |
| Gao Dengbang* (appointed on 2 June 2016) | – | – | – | – | – |
| ***Vice chairman and Executive director*** | | | | | |
| Wang Jianchao | – | 278 | 300 | 42 | 620 |
| ***Executive directors*** | | | | | |
| Wu Bin (appointed on 2 June 2016) | – | 240 | 792 | 30 | 1,062 |
| Ding Feng (appointed on 2 June 2016) | – | 215 | 639 | 30 | 884 |
| Zhou Bo | – | 236 | 639 | 30 | 905 |
| Zhang Mingjing (resigned on 2 June 2016) | – | 107 | – | 14 | 121 |
| ***Non-executive director*** | | | | | |
| Guo Jingbin* (resigned on 2 June 2016) | – | – | – | – | – |
| ***Independent non-executive directors*** | | | | | |
| Yang Mianzhi (appointed on 2 June 2016) | – | 151 | – | – | 151 |
| Leung Tat Kwong Simon (appointed on 2 June 2016) | – | 151 | – | – | 151 |
| Tai Kwok Leung | – | 151 | – | – | 151 |
| Zhao Jianguang* (resigned on 2 June 2016) | – | – | – | – | – |
| Wong Kun kau* (resigned on 2 June 2016) | – | – | – | – | – |
| ***Supervisors*** | | | | | |
| Qi Shengli* | – | – | – | – | – |
| Wang Pengfei* | – | – | – | – | – |
| Wang Chunjian* | – | – | – | – | – |
| | – | 1,529 | 2,370 | 146 | 4,045 |

* 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.

# 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 and 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 |

* 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.

## 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 (2015: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Salaries and other emoluments | **662** | 513 |
| Discretionary bonuses | **2,008** | 1,683 |
| Retirement plan contributions | **94** | 86 |
| | **2,764** | 2,282 |

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

| | **2016** | 2015 |
|---|---|---|
| | **Number of individuals** | Number of individuals |
| Nil – HK$1,000,000 | **1** | 3 |
| HK$1,000,001 – HK$1,500,000 | **2** | – |

## 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

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Before-tax amount RMB'000** | **Tax benefit RMB'000 (Note 34 (b))** | **Net-of-tax amount RMB'000** | Before-tax amount RMB'000 | Tax expense RMB'000 (Note 34 (b)) | Net-of-tax amount RMB'000 |
| Exchange differences on translation of: financial statements of overseas subsidiaries | **55,391** | **–** | **55,391** | 24,862 | – | 24,862 |
| Available-for-sale equity securities: net movement in fair value reserve | **(270,622)** | **67,655** | **(202,967)** | 231,344 | (57,836) | 173,508 |
| Share of the investees' other comprehensive income | **23,258** | **–** | **23,258** | 11,500 | – | 11,500 |
| Other comprehensive income | **(191,973)** | **67,655** | **(124,318)** | 267,706 | (57,836) | 209,870 |

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

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Available-for-sale equity securities: | | |
| Changes in fair value recognised during the year | **(270,622)** | 231,344 |
| Net deferred tax credited/(charged) to other comprehensive income | **67,655** | (57,836) |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **(202,967)** | 173,508 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 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 2016 of RMB8,573,868,000 (2015: RMB7,538,700,000) 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 13 INVESTMENT PROPERTIES

| | RMB'000 |
|---|---|
| **Cost:** | |
| At 1 January 2015 | 34,189 |
| Transfer from property, plant and equipment | 9,768 |
| At 31 December 2015 | 43,957 |
| Transfer from property, plant and equipment | 18,597 |
| Acquisition through business combination (Note 4) | 2,576 |
| Transfer to property, plant and equipment | (19,537) |
| Other adjustment | (9,399) |
| At 31 December 2016 | 36,194 |
| **Accumulated depreciation:** | |
| At 1 January 2015 | 2,075 |
| Transfer from property, plant and equipment | 463 |
| Charge for the year | 1,263 |
| At 31 December 2015 | 3,801 |
| Transfer from property, plant and equipment | 5,294 |
| Charge for the year | 1,054 |
| Transfer to property, plant and equipment | (1,922) |
| At 31 December 2016 | 8,227 |
| **Net book value:** | |
| At 31 December 2016 | 27,967 |
| At 31 December 2015 | 40,156 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 13 INVESTMENT PROPERTIES (CONTINUED)

In 2016, the Group leased out three (2015: two) properties with carrying value of RMB26,367,000 (2015: RMB40,156,000) 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 management to be RMB53,256,000 as at 31 December 2016 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 2016.

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 RMB4,078,000 (2015: RMB6,056,000). Direct operating expenses arising from the investment properties amounted to RMB1,054,000 (2015: RMB1,263,000).

### 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 2015 | 33,174,320 | 44,377,262 | 626,183 | 1,691,967 | 5,218,628 | 85,088,360 |
| Acquisition through business combination | 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/(out) 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 |
| At 1 January 2016 | 37,026,282 | 48,757,305 | 653,531 | 1,856,803 | 2,412,255 | 90,706,176 |
| Acquisition through business combination | 602,669 | 755,887 | 1,433 | 21,236 | 6,867 | 1,388,092 |
| Other additions | 47,609 | 55,876 | 28,703 | 78,459 | 3,875,432 | 4,086,079 |
| Transfer from/(out) construction-in-progress | 2,030,717 | 1,878,114 | 1,554 | 1,237 | (3,911,622) | – |
| Transfer from investment properties | 19,537 | – | – | – | – | 19,537 |
| Disposals | (95,370) | (110,165) | (4,305) | (27,245) | – | (237,085) |
| Transfer to investment properties | (18,597) | – | – | – | – | (18,597) |
| At 31 December 2016 | 39,612,847 | 51,337,017 | 680,916 | 1,930,490 | 2,382,932 | 95,944,202 |

## 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 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 |
| At 1 January 2016 | 6,418,057 | 18,382,361 | 506,490 | 1,291,492 | – | 26,598,400 |
| Charge for the year | 1,345,829 | 2,953,156 | 29,271 | 168,325 | – | 4,496,581 |
| Transfer from investment properties | 1,922 | – | – | – | – | 1,922 |
| Impairment loss | 258,906 | 119,048 | 2 | – | – | 377,956 |
| Written back on disposals | (51,808) | (104,455) | (3,865) | (26,188) | – | (186,316) |
| Transfer to investment properties | (5,294) | – | – | – | – | (5,294) |
| At 31 December 2016 | 7,967,612 | 21,350,110 | 531,898 | 1,433,629 | – | 31,283,249 |
| **Net book value:** | | | | | | |
| At 31 December 2016 | 31,645,235 | 29,986,907 | 149,018 | 496,861 | 2,382,932 | 64,660,953 |
| At 31 December 2015 | 30,608,225 | 30,374,944 | 147,041 | 565,311 | 2,412,255 | 64,107,776 |

As at 31 December 2016, the carrying amount of property, plant and equipment pledged as security against the Group's current borrowings of RMB60,000,000 amounted to approximately RMB608,033,000. As at 31 December 2015, no property, plant and equipment was pledged.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2016, certain subsidiaries of the Group suffered losses due to the adverse market conditions and the economic environment in the regions in which these subsidiaries operate and certain property, plant and equipment was identified as obsolete which management considered to be indicators of potential impairment. The Group assessed the recoverable amounts of these property, plant and equipment and as a result the carrying amount of these property, plant and equipment were written down to their recoverable amount of RMB454,152,000. An impairment loss of RMB377,956,000 was recognised in "Administrative expenses" for the year ended 31 December 2016. The estimates of recoverable amount were the higher of the value in use and the fair value less costs of disposal. To determine the value in use, the Group used a discounted cash flow forecast for each separately identifiable cash-generating unit ("CGU"). The cash flows were discounted using a pre-tax discount rate of 11.42% that reflects specific risks related to CGUs. To determine the fair value less costs of disposal, the Group used cost approach valued by an independent third party appraiser, which is categorised as Level 3 measurement.

## 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**<br>RMB'000 |
|---|---|
| **Cost:** | |
| 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 |
| At 1 January 2016 | 5,156,773 |
| Acquisition through business combination | 188,180 |
| Additions | 267,779 |
| Disposals | (9,591) |
| At 31 December 2016 | 5,603,141 |

## 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 2015 | 564,215 |
| Charge for the year | 106,917 |
| Written back on disposals | (3,454) |
| At 31 December 2015 | 667,678 |
| At 1 January 2016 | 667,678 |
| Charge for the year | 117,481 |
| Written back on disposals | (1,692) |
| At 31 December 2016 | 783,467 |
| **Net book value:** | |
| At 31 December 2016 | 4,819,674 |
| At 31 December 2015 | 4,489,095 |

Up to the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2016 was approximately RMB227,769,000. The directors are of the opinion that the Group is entitled to legally occupy or use these land use rights.

## 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 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 |
| At 1 January 2016 | 3,444,027 | 45,867 | 28,507 | 3,518,401 |
| Acquisition through business combination | 26,357 | – | 5,291 | 31,648 |
| Additions | 93,923 | 7,218 | 39,296 | 140,437 |
| At 31 December 2016 | 3,564,307 | 53,085 | 73,094 | 3,690,486 |
| **Accumulated amortisation:** | | | | |
| 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 |
| At 1 January 2016 | 622,844 | 13,579 | 3,830 | 640,253 |
| Charge for the year | 132,265 | 2,793 | 2,545 | 137,603 |
| At 31 December 2016 | 755,109 | 16,372 | 6,375 | 777,856 |
| **Net book value:** | | | | |
| At 31 December 2016 | 2,809,198 | 36,713 | 66,719 | 2,912,630 |
| At 31 December 2015 | 2,821,183 | 32,288 | 24,677 | 2,878,148 |

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

Up to the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain limestone and clay mining rights. The aggregate carrying value of such limestone and clay mining rights of the Group as at 31 December 2016 was approximately RMB17,970,000. The directors are of the opinion that the Group is entitled to legally use these limestone and clay mining rights.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 17 GOODWILL

| | Note | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|---|
| **Carrying amount:** | | | |
| At 1 January | | **463,731** | 374,557 |
| Acquisitions through business combinations | 4 | **29,917** | 89,174 |
| At 31 December | | **493,648** | 463,731 |

**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. Cash flows beyond the five-year period are extrapolated to be similar to that of the respective final forecast years on existing production capacity. No impairment was recorded. The pre-tax discount rate of 11.42% reflects current market assessment of the time value of money and specific risks relating to the Group.

## 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 2016 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司 | RMB 171,000,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司 | RMB 30,000,000 | 94.2% | 76.2% | 18% | Manufacture and sale of clinker and cement products |
| Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司 | RMB 742,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司 | RMB 10,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司 | RMB 35,000,000 | 98.71% | 98.71% | – | Manufacture and sale of clinker and cement products |
| Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限責任公司 | RMB 60,000,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司 | RMB 15,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司 | RMB 5,000,000 | 100% | 100% | – | Sale of clinker and cement products |
| Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司 | RMB 590,000,000 | 100% | 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責任公司 | RMB 14,000,000 | 76% | 76% | – | Manufacture and sale of clinker and cement products |
| Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅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 |
| 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% | – | Manufacture and sale of clinker and cement products |
| 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 |

# 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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") 紹興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 |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司 | RMB 20,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |
| Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司 | RMB 20,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |
| Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司 | RMB 70,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司 | RMB 105,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司 | RMB 80,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司 | RMB 32,960,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司 | RMB 406,500,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司 | RMB 660,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司 | RMB 400,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司 | RMB 580,000,000 | 75% | 70% | 5% | Manufacture and sale of clinker and cement products |
| Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司 | RMB 328,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Conch Construction 安徽蕪湖海螺建築安裝工程有限責任公司 | RMB 30,000,000 | 100% | 100% | – | Provision of construction and installation services for industrial purposes |
| Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司 | RMB 350,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 |

# 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司 | RMB 100,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Lu'an Conch Cement Co., Ltd. ("Lu'an Conch") 六安海螺水泥有限責任公司 | RMB 89,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Dazhou Conch 達州海螺水泥有限責任公司 | RMB 480,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Liquan Conch 禮泉海螺水泥有限責任公司 | RMB 480,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Qianyang Conch 千陽海螺水泥有限責任公司 | RMB 490,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司 | RMB 160,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司 | RMB 80,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司 | RMB 266,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 706,000,000 | 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 |
| 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 |
| 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%.

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 |
| 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 |
| Liukuangruian 貴州六礦瑞安水泥有限公司 | RMB 477,450,000 | 51% | 51% | – | Manufacture and sale of clinker and cement products |
| Liangping Conch 梁平海螺水泥有限責任公司 | RMB 300,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| 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 巴中海螺水泥有限責任公司 | RMB 280,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Wenshan Conch 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 |

## 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Hami Construction<br>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 |
| Hami Xingyi Mining Co., Ltd. ("Hami Mining")<br>哈密興義礦業有限責任公司 | RMB 3,000,000 | 80% | – | 80% | Mining and related service |
| Guangxi Lingyun Tonghong Cement Co., Ltd. ("Lingyun Tonghong")<br>廣西淩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")<br>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 |
| Jinxian Conch Cement Co., Ltd. ("Jinxian Conch")<br>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<br>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<br>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")<br>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 |
| Wuxi Conch Sales Cement Co., Ltd. ("Wuxi Sales")<br>無錫海螺水泥銷售有限公司 | RMB 100,000,000 | 100% | 100% | – | Sale of clinker and cement products |

# 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: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 Panjiang Cement Co., Ltd. ("Shuicheng Conch")** 水城海螺盤江水泥有限責任公司 | RMB 507,600,000 | 40% | 40% | – | Manufacture and sale of clinker and cement products |
| Kunming Hongxi 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 Cement Co., Ltd. ("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 |

** Pursuant to the Articles of Association of the company, except for special resolutions relating to certain protective rights, the voting rights of the Group in the company are 100%.

## 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 | |
| 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 |
| Guiding Conch Plastic Packaging Co., Ltd. ("Guiding Plastic") 貴定海螺塑膠包裝有限責任公司 | RMB 20,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established overseas, at 31 December 2016 are as follows (United States dollars referred to as "USD"):

| Name of company | Particulars of issued and paid up capital | Proportion of ownership interest | | | Principal activities |
|---|---|---|---|---|---|
| | | Group's effective interest | Held by the Company | Held by a subsidiary | |
| PT Conch Cement Indonesia ("Indonesia Conch") 印尼海螺水泥有限公司 | USD 51,000,000 | 75% | 75% | – | Investment and trading |
| PT Conch South Kalimantan Cement ("Indonesia South Conch") 南加裡曼丹海螺水泥有限公司 | USD 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% | – | 100% | 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% | – | 100% | 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 |
| PT Conch West Kalimantan Cement ("West Kalimantan Conch") 西加裡曼丹海螺水泥貿易有限公司 | USD 4,000,000 | 100% | – | 100% | Sale of clinker and cement products |
| 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 |

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 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 | |
| Conch Cement Volga Limited Liability Company ("Volga Conch") 伏爾加海螺水泥有限責任公司 | USD 200,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| Luangprabang Conch Cement Co., Ltd. ("Luangprabang Conch") 瑯勃拉邦海螺水泥有限公司 | USD 1,000,000 | 70% | – | 70% | Manufacture and sale of clinker and cement products |

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

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| NCI percentage | **1.29% ~ 60%** | 1.29% ~ 60% |
| Current assets | **6,402,686** | 5,805,760 |
| Non-current assets | **19,875,012** | 20,007,108 |
| Current liabilities | **(10,130,215)** | (10,844,110) |
| Non-current liabilities | **(5,443,331)** | (4,481,344) |
| Net assets | **10,704,152** | 10,487,414 |
| Carrying amount of NCI | **3,669,278** | 3,396,939 |
| | | |
| Revenue | **12,626,637** | 11,142,810 |
| Profit for the year | **1,251,032** | 364,527 |
| Total comprehensive income | **1,278,012** | 383,172 |
| Total comprehensive income allocated to NCI | **432,764** | 110,460 |
| Dividend paid to NCI | **225,488** | 426,761 |
| Cashflows from operating activities | **1,510,220** | 1,023,606 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Share of net assets | **1,992,104** | 2,056,746 |
| Goodwill | **150,942** | 150,942 |
| | **2,143,046** | 2,207,688 |

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"):

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name of associate | Particulars of registered and paid up capital | Listed/ Unlisted Company | Group's Effective interest | Held by the Company | Held by a subsidiary | Principal activities |
| 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 | RMB 1,378,790,086 | Listed | 10.59% | 10.59% | – | Manufacture and sale of building materials and chemicals products |
| West China Cement Limited ("West Cement") 中國西部水泥有限公司 | GBP 20,000,000 | Listed | 21.17% | – | 21.17% | Manufacture and sale of cement related 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 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information of the 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, 2015 to September 30, 2016 RMB'000** | From October 1, 2014 to September 30, 2015 RMB'000 |
| **Gross amounts of the associate** | | |
| Current assets | **2,098,307** | 3,011,907 |
| Non-current assets | **9,801,355** | 10,184,495 |
| Current liabilities | **(3,201,725)** | (4,150,834) |
| Non-current liabilities | **(3,150,494)** | (2,660,118) |
| Equity | **5,547,443** | 6,385,450 |
| Equity attributable to equity shareholders of the associate | **5,355,109** | 5,972,877 |
| Revenue | **1,772,670** | 2,008,500 |
| Loss from continuing operations | **(618,205)** | (102,344) |
| Other comprehensive income | **497** | 892 |
| Total comprehensive income | **(617,708)** | (101,452) |
| Dividend received from the associate | **–** | 5,841 |
| **Reconciled to the Group's interests in the associate** | | |
| Gross amounts of net assets of the associate | **5,355,109** | 5,972,877 |
| Group's effective interest | **10.59%** | 10.59% |
| Group's share of net assets of the associate | **567,106** | 632,528 |
| Goodwill | **142,117** | 142,117 |
| Carrying amount in the consolidated financial statements | **709,223** | 774,645 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES (CONTINUED)

| | West Cement | |
|---|---|---|
| | **From 1 January 2016 to 31 December 2016 RMB'000** | From 26 June 2015 to 31 December 2015 RMB'000 |
| **Gross amounts of the associate** | | |
| Current assets | **2,515,084** | 2,042,498 |
| Non-current assets | **9,305,662** | 9,991,704 |
| Current liabilities | **(2,399,719)** | (2,770,031) |
| Non-current liabilities | **(2,868,501)** | (2,708,563) |
| Equity | **6,552,526** | 6,555,608 |
| Equity attributable to equity shareholders of the associate | **6,501,799** | 6,508,128 |
| Revenue | **3,719,280** | 1,810,090 |
| Loss from continuing operations | **(2,220)** | (311,638) |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **(2,220)** | (311,638) |
| Dividend received from the associate | **–** | 5,841 |
| **Reconciled to the Group's interests in the associate** | | |
| Gross amounts of net assets of the associate | **6,501,799** | 6,508,128 |
| Group's effective interest | **21.17%** | 21.17% |
| Group's share of net assets of the associate | **1,383,434** | 1,380,754 |
| Goodwill | **8,825** | 8,825 |
| Carrying amount in the consolidated financial statements | **1,392,259** | 1,389,579 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES (CONTINUED)

| | King Bridge Cement | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Gross amounts of the associate** | | |
| Current assets | **55,688** | 52,145 |
| Non-current assets | **45,644** | 47,531 |
| Current liabilities | **(1,760)** | 4,647 |
| Equity | **99,572** | 104,323 |
| Revenue | **26,542** | 52,299 |
| Loss from continuing operations | **(4,751)** | (9,895) |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **(4,751)** | (9,895) |
| Dividend received from the associate | **–** | – |
| **Reconciled to the Group's interests in the associate** | | |
| Gross amounts of net assets of the associate | **99,572** | 104,323 |
| Group's effective interest | **40%** | 40% |
| Others | **1,735** | 1,735 |
| Carrying amount in the consolidated financial statements | **41,564** | 43,464 |

### 20 INTEREST IN JOINT VENTURES

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Share of net assets | **1,172,383** | 767,749 |
| | **1,172,383** | 767,749 |

## 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 joint ventures, which are unlisted and operating in the PRC and overseas, at 31 December 2016 are as follows:

| Name of joint venture | Particulars of registered/ issued capital and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限公司 | RMB 348,000,000 | 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 | USD 90,000,000 | 45%* | 45% | – | Export and import business |
| PT SDIC Papua Cement Indonesia ("Papua Cement") 國投印尼巴布亞水泥有限公司 | USD 80,000,000 | 49%* | 49% | – | Manufacture and sale of clinker and cement product |
| Myanmar Conch Cement Company Limited ("Myanmar Conch") 緬甸海螺水泥有限公司 | USD 44,000,000 | 45%* | 45% | – | Manufacture and sale of clinker and cement product |
| Myanmar Conch Cement (Yangon) Company Limited ("Yangon Conch") 緬甸海螺(仰光)水泥有限公司 | USD 10,000,000 | 50% | 50% | – | Manufacture and sale of clinker and cement product |
| Huaibei Mining Xiangshan Cement Company Limited ("Xiangshan Cement") 淮北礦業相山水泥有限責任公司 | RMB 408,628,000 | 40%* | 40% | – | Manufacture and sale of clinker and cement product |

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

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 20 INTEREST IN JOINT VENTURES (CONTINUED)

Summarised 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:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| **Gross amounts of joint ventures** | | |
| Current assets | **2,251,670** | 1,561,133 |
| Non-current assets | **5,012,023** | 2,754,771 |
| Current liabilities | **(2,540,386)** | (1,757,811) |
| Non-current liabilities | **(2,042,242)** | (931,957) |
| Equity | **2,681,065** | 1,626,136 |
| Equity attributable to equity shareholders of the joint ventures | **2,655,522** | 1,626,029 |
| **Included in the above assets and liabilities:** | | |
| Cash and cash equivalents | **448,516** | 157,068 |
| Current financial liabilities (excluding trade and other payable and provisions) | **180,000** | 230,132 |
| Revenue | **1,711,935** | 1,542,772 |
| (Loss)/profit from continuing operations | **(23,638)** | 109,843 |
| Other comprehensive income | **47,723** | 22,989 |
| Total comprehensive income | **24,085** | 132,832 |
| Dividend received from the joint ventures | **19,999** | 23,358 |
| **Included in the above profit:** | | |
| Depreciation and amortisation | **(188,157)** | (36,168) |
| Interest income | **3,923** | 1,770 |
| Interest expense | **(60,115)** | (14,383) |
| Income tax expense | **(34,036)** | (45,619) |
| **Reconciled to the Group's interest in joint ventures** | | |
| Gross amounts of net assets | **2,655,522** | 1,626,029 |
| Group's effective interest | **40% - 50%** | 45% - 50% |
| Other adjustment | **(25,778)** | (10,282) |
| Group's share of net assets | **1,172,383** | 767,749 |
| Carrying amount in the consolidated financial statements | **1,172,383** | 767,749 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 21 LOANS AND RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Loans and receivables | **360,409** | 395,181 |
| Less: current portion of loans and receivables (note 26) | **(153,579)** | (143,217) |
| | **206,830** | 251,964 |

As at 31 December 2016, loans and receivables of the Group represent advances made to local government authorities of which RMB148,310,000 (2015: RMB160,810,000) are unsecured, bearing interest at rates from 4.35% to 4.75% (2015: from 4.60% to 6.40%) per annum, and repayable from 2017 to 2019. The remaining balance of RMB212,099,000 (2015: RMB234,371,000) is unsecured, interest-free and repayable from 2017 to 2019.

### 22 AVAILABLE-FOR-SALE EQUITY SECURITIES

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Available-for-sale equity securities | | |
| – listed in the PRC | **2,935,177** | 3,249,600 |

All available-for-sale equity securities held by the Group are listed either on Shanghai Stock Exchange ("SSE") or the Shenzhen Stock Exchange ("SZSE"). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2016.

### 23 PREPAYMENT FOR LONG-TERM ASSETS

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Prepayment for properties | **28,912** | – |
| Prepayment for an acquisition of business | **–** | 445,547 |
| | **28,912** | 445,547 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 24 INVENTORIES

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

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Raw materials | **1,961,930** | 1,459,600 |
| Work in progress | **203,659** | 191,467 |
| Finished goods | **1,987,760** | 2,167,335 |
| Spare parts | **395,185** | 419,637 |
| | **4,548,534** | 4,238,039 |

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

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Carrying amount of inventories recognised as expenses | **37,569,430** | 36,865,434 |

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

### 25 TRADE RECEIVABLES

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Trade debtors | **643,181** | 401,584 |
| Less: allowance for doubtful debts (note 25(b)) | **(8,982)** | (8,982) |
| | **634,199** | 392,602 |
| Bank acceptance notes receivable (note 25(d)) | **6,470,607** | 4,478,684 |
| Commercial acceptance notes receivable | **40,487** | 16,500 |
| | **7,145,293** | 4,887,786 |

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

## Notes to the financial statements (continued)

*(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:

| | **2016**<br>**RMB'000** | 2015<br>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.

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:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| At 1 January and 31 December | **8,982** | 8,982 |

At 31 December 2016, none of the Group's trade receivables were individually determined to be impaired (2015: Nil).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 25 TRADE RECEIVABLES (CONTINUED)

#### (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:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **7,144,324** | 4,883,476 |
| Overdue within 60 days (inclusive) | **969** | 4,310 |
| | **7,145,293** | 4,887,786 |

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 25 TRADE RECEIVABLES (CONTINUED)

#### (d) Bank acceptance notes receivables

As at 31 December 2016, the Group endorsed the undue bank acceptance notes of RMB1,139,306,000 (2015: RMB2,330,273,000) to its suppliers to settle trade payables of the same amounts and derecognised 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 derecognised 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 2016, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMB1,139,306,000 (2015: RMB2,330,273,000), which the Group endorsed to its suppliers. The endorsed undue notes receivable will be derecognised 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 2016, the undue notes receivable of RMB1,193,896,000 (2015:RMB1,734,198,000) endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 26 PREPAYMENTS AND OTHER RECEIVABLES

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Purchase prepayments | **579,828** | 441,173 |
| Current portion of loans and receivables (note 21) | **153,579** | 143,217 |
| Loan to a related party (note) | **27,960** | 27,960 |
| Loan to a third party | **–** | 200,000 |
| Value-added tax recoverable and other tax prepayment | **561,843** | 983,422 |
| Interest receivable | **114,888** | 46,606 |
| Other receivables | **466,071** | 326,021 |
| | **1,904,169** | 2,168,399 |

All of the prepayments and other receivables are expected to be recovered within one year.

Note: Loan to a related party of the Group is provided to Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") which is in trust of a subsidiary of the Group. The loan agreement was renewed for one year in 2016.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 27 AMOUNTS DUE FROM/TO RELATED PARTIES

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| **Amounts due from:** | | |
| Anhui Conch Kawasak Engineering Co., Ltd. ("CK Engineering") 安徽海螺川崎工程有限公司 | **75,406** | 115,312 |
| 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 | **42,474** | 14,710 |
| Conch Kawasaki Equipment | **71,142** | 89,595 |
| Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院 | **13,923** | 58,492 |
| Chengli Building Material | **14,742** | 19,753 |
| Qingsong Building Materials and Chemicals | **5,670** | 6,567 |
| Papua Cement | **38,368** | 2,906 |
| Wuhu Conch Investment Ltd. ("WH Investment") 蕪湖海螺投資有限公司 | **10,221** | 2,669 |
| Myanmar Conch | **27,300** | 1,332 |
| Other related parties | **2,706** | 4,743 |
| | **301,952** | 316,079 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Amounts due to:** | | |
| CK Engineering | **32,664** | 54,387 |
| CK Equipment | **89,898** | 48,936 |
| Conch Kawasaki Equipment | **57,233** | 88,399 |
| Conch Design Institute | **–** | 1,009 |
| Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺資訊技術工程有限公司 | **5,965** | 5,687 |
| Papua Cement | **–** | 86,161 |
| Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限責任公司 | **9,736** | 8,235 |
| Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司 | **39,247** | 7,657 |
| Other related parties | **973** | 18,572 |
| | **235,716** | 319,043 |

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.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 28 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank deposits with maturity within three months | **1,500,000** | 23,464 |
| Cash at bank and on hand | **4,299,566** | 4,261,570 |
| Cash and cash equivalents in the statement of financial position and consolidated cash flow statement | **5,799,566** | 4,285,034 |

# Notes to the financial statements (continued)

*(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 | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Profit before taxation** | | **11,699,329** | 10,085,520 |
| **Adjustments for:** | | | |
| Depreciation | 7(c) | **4,497,635** | 4,212,119 |
| Impairment loss on property, plant and equipment | 7(c) | **377,956** | – |
| Reversal of impairment loss on trade and other receivables | 7(c) | **(109)** | (140) |
| Amortisation of interest in leasehold land held for own use under operating leases | 7(c) | **117,481** | 106,917 |
| Amortisation of intangible assets | 7(c) | **137,603** | 140,283 |
| Finance costs | 7(a) | **792,038** | 962,821 |
| Interest income | 6 | **(362,758)** | (452,428) |
| Share of losses of associates | | **64,695** | 37,815 |
| Share of losses of joint ventures | | **71,886** | 21,644 |
| Net gain on disposal of property, plant and equipment and lease prepayments | 6 | **(100,696)** | (69,627) |
| Net realised and unrealised loss/(gain) on derivative financial instruments | 6 | **2,912** | (83,584) |
| Net gain on disposal of available-for-sale equity | 6 | **(501,365)** | (648,699) |
| Net gain on disposal of interest in an associate | 6 | **–** | (1,152,149) |
| Dividend income from listed securities | 6 | **(3,939)** | (9,385) |
| **Before changes in working capital carried forward** | | **16,792,668** | 13,151,107 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in inventories | | **(240,597)** | 161,262 |
| Increase in trade receivables | | **(2,237,148)** | (668,971) |
| Decrease in prepayments and other receivables | | **579,964** | 61,879 |
| Increase in amounts due from related parties | | **(16,468)** | (57,141) |
| Increase/(decrease) in trade payables | | **299,949** | (142,172) |
| Increase in other payables and accruals | | **281,030** | 363,446 |
| Increase in amounts due to related parties | | **24,884** | 94,707 |
| Decrease in long-term payables | | **–** | (7,576) |
| Increase in deferred income | | **32,887** | 22,553 |
| **Cash generated from operations** | | **15,517,169** | 12,979,094 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 29 TRADE PAYABLES

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Trade payables | **4,362,893** | 3,872,683 |

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 RMB'000 | 2015 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 |

### 30 OTHER PAYABLES AND ACCRUALS

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Construction cost payables | **1,588,876** | 1,898,669 |
| Receipts in advance from customers | **1,549,815** | 1,268,703 |
| Deposits from suppliers | **760,973** | 637,271 |
| Retention monies | **474,920** | 540,708 |
| Expense accruals | **224,109** | 165,203 |
| Value-added tax payables | **200,709** | 147,268 |
| Other taxes payables | **692,922** | 565,788 |
| Interest payable | **131,609** | 346,409 |
| Dividend payable | **100,000** | 153,766 |
| Payables for acquisition of subsidiaries | **686,864** | 1,079,681 |
| Payroll payables | **724,510** | 582,762 |
| Other payables | **158,218** | 119,804 |
| | **7,293,525** | 7,506,032 |

## Notes to the financial statements (continued)

*(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:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank loans (note 33) | | |
| – unsecured | **1,970,714** | 1,440,545 |
| – secured (note 14) | **60,000** | – |
| Unsecured debentures (note 32(b)(i)) | **2,499,645** | 6,997,430 |
| Other borrowings | | |
| – unsecured (note 32(b)(ii)) | **7,273** | 7,273 |
| | **4,537,632** | 8,445,248 |

### 32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

**(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:**

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank loans (note 33) | | |
| – unsecured | **5,447,250** | 2,239,128 |
| Unsecured debentures (note 32(b)(i)) | **5,995,859** | 8,493,281 |
| Other borrowings | | |
| – unsecured (note 32(b)(ii)) | **–** | 7,273 |
| | **11,443,109** | 10,739,682 |

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.

## Notes to the financial statements (continued)

*(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 7-year bond is fully repayable on 23 May 2018 and the 5-year bond was fully repaid on 23 May 2016.

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. The 5-year bond has been reclassified to the current borrowings as of 31 December 2016.

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 1.80% (2015: 3.05%) per annum and is repayable in June 2017.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 33 BANK LOANS

At 31 December 2016, the bank loans were repayable as follows:

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Within 1 year or on demand (note 31) | **2,030,714** | 1,440,545 |
| After 1 year but within 2 years | **2,209,147** | 320,728 |
| After 2 years but within 5 years | **2,883,278** | 1,336,986 |
| After 5 years | **354,825** | 581,414 |
| Total non-current bank loans (note 32(a)) | **5,447,250** | 2,239,128 |
| | **7,477,964** | 3,679,673 |

As at 31 December 2016, there is no unsecured bank loans of the Group (2015: RMB208,000,000) guaranteed by Conch Holdings.

As at 31 December 2016, unsecured bank loans of the Group totalling RMB393,500,000 (2015: RMB548,500,000) 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.

As at 31 December 2016, there is no unsecured bank loans of the Group (2015: RMB39,200,000) guaranteed by Liuzhi Gongkuang Investment Holdings ("Gongkuang Investment"). Gongkuang Investment is the non-controlling shareholder of Liukuang Ruian Cement.

As at 31 December 2016, total banking facilities of the Group amounted to RMB96,990,950,000 (2015:RMB89,482,030,000). These facilities were utilised to the extent of RMB7,457,728,000 (2015:RMB3,679,673,000) as at 31 December 2016.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**(a) Current taxation in the consolidated statement of financial position represents:**

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| At 1 January | **(85,098)** | 353,229 |
| Provision for the PRC Corporate Income Tax for the year (note 8(a)) | **2,794,491** | 2,632,593 |
| Transfer to current tax upon disposal of available-for-sale | **133,055** | – |
| PRC Corporate Income Tax paid for current year | **(2,320,412)** | (3,070,920) |
| At 31 December | **522,036** | (85,098) |
| Representing: | | |
| Tax recoverable | **(97,423)** | (344,253) |
| Tax payable | **619,459** | 259,155 |
| | **522,036** | (85,098) |

## Notes to the financial statements (continued)

*(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 RMB'000 | Unrealised profits (note) RMB'000 | Arising from business combination RMB'000 | Tax losses RMB'000 | Depreciation of fixed asset RMB'000 | Deferred income RMB'000 | Fair value change of available-for-sale equity securities RMB'000 (Note 11) | Fair value change of derivatives and trading securities RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Deferred tax arising from:** | | | | | | | | | |
| 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 |
| At 1 January 2016 | (13,276) | (220,082) | 301,755 | (195,272) | 11,477 | (26,129) | 247,540 | (1,602) | 104,411 |
| (Credited)/Charged to income statement | (89,901) | (22,936) | (11,626) | 54,606 | (4,690) | (18,983) | – | 1,602 | (91,928) |
| Credited to reserves | – | – | – | – | – | – | 65,400 | – | 65,400 |
| Transfer to current tax upon disposal of available-for-sale equity securities | – | – | – | – | – | – | (133,055) | – | (133,055) |
| At 31 December 2016 | (103,177) | (243,018) | 290,129 | (140,666) | 6,787 | (45,112) | 179,885 | – | (55,172) |

Note: The unrealised profits arose from intra-group sales of inventories and property, plant and equipment, intra-group borrowings, and sale of inventories and property, plant and equipment to/by associates and joint ventures.

## Notes to the financial statements (continued)

*(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: (continued)**

*(ii) Reconciliation to the consolidated statement of financial position*

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Net deferred tax assets recognised on the consolidated statement of financial position | **(529,547)** | (453,936) |
| Net deferred tax liabilities recognised on the consolidated statement of financial position | **474,375** | 558,347 |
| | **(55,172)** | 104,411 |

### 35 DEFERRED INCOME

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| At 1 January | **536,693** | 514,140 |
| Government grants received (note) | **96,820** | 80,223 |
| Recognised in the consolidated statement of profit or loss | **(63,933)** | (57,670) |
| At 31 December | **569,580** | 536,693 |

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 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 RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 | Fair value reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 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 |
| **Balance at 1 January 2016** | | **5,299,303** | **16,579,355** | **217,270** | **2,649,654** | **742,618** | **43,638,752** | **69,126,952** |
| **Changes in equity for 2016:** | | | | | | | | |
| Total comprehensive income | | **–** | **–** | **–** | **–** | **(202,967)** | **7,069,794** | **6,866,827** |
| Dividends approved in respect of the previous year | 36(b) | **–** | **–** | **–** | **–** | **–** | **(2,278,700)** | **(2,278,700)** |
| **Balance at 31 December 2016** | | **5,299,303** | **16,579,355** | **217,270** | **2,649,654** | **539,651** | **48,429,846** | **73,715,079** |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

**(b) Dividends**

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

| | 2016<br>RMB'000 | 2015<br>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.

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

| | 2016<br>RMB'000 | 2015<br>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 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

**(c) Share capital**

*(i) Registered and issued share capital*

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (c) Share capital (continued)

*(i) Registered and issued share capital (continued)*

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company remained unchanged. The State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province ("SASAC") approved the Proposal on 15 February 2006.

On 1 March 2007, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company at 31 December 2006) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (c) Share capital (continued)

*(i) Registered and issued share capital (continued)*

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.

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

**(c) Share capital (continued)**

*(i) Registered and issued share capital (continued)*

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 dividends on A shares are payable in RMB, while dividends on H shares are payable in HK$.

*(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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

**(d) Nature and purpose of reserves (continued)**

*(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.

*(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 2016, 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 2016, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (d) Nature and purpose of reserves (continued)

*(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).

*(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) 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (e) Capital management (continued)

The Group monitors its capital structure on the basis of the adjusted net debt-to-capital ratio. For this purpose adjusted net debt is calculated as bank loans and other borrowings plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company, less unaccrued proposed dividends.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2016 and 2015 was as follows:

| | Note | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|---|
| Current liability: | | | |
| Bank loans and other borrowings | 31 | **4,537,632** | 8,445,248 |
| Non-current liability: | | | |
| Bank loans and other borrowings | 32(a) | **11,443,109** | 10,739,682 |
| Total debt | | **15,980,741** | 19,184,930 |
| Add: Proposed dividends | 36(b) | **2,649,651** | 2,278,700 |
| Less: Cash at bank and on hand | 28(a) | **(4,299,566)** | (4,261,570) |
| Bank deposits with maturity within three months | 28(a) | **(1,500,000)** | (23,464) |
| Adjusted net debt | | **12,830,826** | 17,178,596 |
| Total equity attributable to equity shareholders of the Company | | **76,308,554** | 70,147,570 |
| Less: Proposed dividends | 36(b) | **(2,649,651)** | (2,278,700) |
| Adjusted capital | | **73,658,903** | 67,868,870 |
| Adjusted net debt-to-capital ratio | | **17.42%** | 25.31% |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (e) Capital management (continued)

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio (total liability/total asset) at a reasonable level. The Group's gearing ratio as at 31 December 2016 was 27% (2015: 30%). 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.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (a) Credit risk (continued)

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 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. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally investing in liquid securities quoted on a recognised stock exchange, except where entering 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 2016: 30% (2015: 37%) 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 and endorsed bills with full recourse which were derecognised by the Group (see note 25). The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 25 and 26.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (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.

Other than endorsed bills with full recourse which were derecognised by the Group (see note 25), 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:

| | 2016 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 | Carrying amount RMB'000 |
| Trade payables | 4,362,893 | – | – | – | 4,362,893 | 4,362,893 |
| Other payables and accruals | 7,293,525 | – | – | – | 7,293,525 | 7,293,525 |
| Bank loans and other borrowings | 5,213,406 | 4,861,390 | 3,020,704 | 4,957,410 | 18,052,910 | 15,980,741 |
| Amounts due to related parties | 235,716 | – | – | – | 235,716 | 235,716 |
| | 17,105,540 | 4,861,390 | 3,020,704 | 4,957,410 | 29,945,044 | 27,872,875 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (b) Liquidity risk (continued)

| | 2015 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 | Carrying amount 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 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. 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 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.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Interest rate %** | **RMB'000** | Interest rate % | RMB'000 |
| **Net fixed rate borrowings:** | | | | |
| Bank loans | **1.97%~8.80%** | **1,955,354** | 2.26%~3.92% | 230,000 |
| Other borrowings | **4.89%~5.20%** | **8,495,504** | 4.89%~5.20% | 15,490,711 |
| Less: Loans and receivables | **4.35%~4.75%** | **(65,810)** | 4.60%~6.31% | (98,310) |
| Prepayments and other receivables | **4.35%~6.00%** | **(110,460)** | 4.60%~6.40% | (290,460) |
| Restricted cash deposits | **0.30%~4.25%** | **(221,793)** | 1.32%~4.25% | (184,987) |
| Bank deposits with maturity over three months | **2.75%~3.05%** | **(9,500,000)** | 3.17%~3.95% | (10,000,000) |
| Cash and cash equivalents | **2.35%** | **(1,500,000)** | 0.75%~1.00% | (23,464) |
| | | **(947,205)** | | 5,123,490 |
| **Variable rate borrowings:** | | | | |
| Bank loans | **1.39%~4.75%** | **5,522,610** | 1.53%~5.40% | 3,449,673 |
| Other borrowings | **1.80%** | **7,273** | 3.05% | 14,546 |
| Less: Restricted cash deposits | **0.30%~2.83%** | **(64,624)** | 0.01% | (1,425) |
| Cash and cash equivalents | **0.05%~4.00%** | **(4,299,193)** | 0.02%~1.50% | (4,261,074) |
| | | **1,166,066** | | (798,280) |
| Total net borrowings | | **218,861** | | 4,325,210 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

**(c) Interest rate risk (continued)**

*(ii) Sensitivity analysis*

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB9,345,000 (2015: increased/decreased RMB5,298,000) 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. The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss. 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 2015.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

**(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 and RMB. Currently, management does not enter into currency hedging transactions. The Group manages this risk as follows:

*(i) Recognised assets and liabilities*

In respect of 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.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk (continued)

*(ii) Exposure to currency risk*

The following table details the Group's exposure at the 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 (United States Dollar referred to as "USD", Euros referred to as "EUR"):

| | Exposure to foreign currencies (expressed in RMB'000) | | | | |
|---|---|---|---|---|---|
| | **2016** | | | 2015 | |
| | **USD** | **EUR** | **RMB** | USD | RMB |
| The functional currency is RMB: | | | | | |
| Trade receivables | **70,164** | **–** | **–** | 85,496 | – |
| Cash and cash equivalents | **109,026** | **2,366** | **–** | 62,807 | – |
| The functional currency is Indonesia Rupiah: | | | | | |
| Cash and cash equivalents | **52,835** | **–** | **3,401** | 225,746 | 15,886 |
| Bank loans and other borrowings | **(1,155,011)** | **–** | **(1,330,875)** | (811,051) | (740,625) |
| The functional currency is Lao Kip: | | | | | |
| Cash and cash equivalents | **1,484** | **–** | **–** | – | – |
| Gross exposure arising from recognised assets and liabilities | **(921,502)** | **2,366** | **(1,327,474)** | (437,002) | (724,739) |
| Notional amounts of forward exchange contracts | **–** | **–** | **–** | (292,212) | – |
| Net exposure arising from recognised assets and liabilities | **(921,502)** | **2,366** | **(1,327,474)** | (729,214) | (724,739) |

## Notes to the financial statements (continued)

*(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.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **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 RMB'000 |
| USD | **1%** | **(6,911)** | 1% | (5,469) |
| EUR | **1%** | **18** | 1% | 11 |
| RMB | **1%** | **(9,956)** | 1% | (5,436) |

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 retained profits 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 2015.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 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 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, 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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (e) Equity price risk (continued)

It is estimated that an increase/decrease of 1% (2015: 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:

| | | 2016 | | | 2015 | |
|---|---|---|---|---|---|---|
| | | **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%** | **–** | **22,014** | 1% | – | 24,372 |
| Decrease | **(1%)** | **–** | **(22,014)** | (1%) | – | (24,372) |

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 2015.

## Notes to the financial statements (continued)

*(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

| | Fair value measurements as at 31 December 2016 using | | | |
|---|---|---|---|---|
| | **Fair value at 31 December 2016** | **Quoted prices in active market for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| **Recurring fair value measurement** | | | | |
| Financial assets: | | | | |
| Available-for-sale equity securities: | | | | |
| – Listed | **2,935,177** | **2,935,177** | **–** | **–** |
| | **2,935,177** | **2,935,177** | **–** | **–** |

## Notes to the financial statements (continued)

*(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)*

| | Fair value measurements as at 31 December 2015 using | | | |
|---|---|---|---|---|
| | Fair value at 31 December 2015 | Quoted prices in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **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) | – |

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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

**(f) Fair value measurement (continued)**

*(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 2016 and 2015 except as follows:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | Carrying amount RMB'000 | Fair value RMB'000 |
| Current bank loans and other borrowings | **4,537,632** | **4,571,630** | 8,445,248 | 8,501,566 |
| Non-current bank loans and other borrowings | **11,443,109** | **11,538,982** | 10,739,682 | 10,834,373 |
| | **15,980,741** | **16,110,612** | 19,184,930 | 19,335,939 |

**(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 2016.

*(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.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (g) Estimation of fair values (continued)

*(iii) Interest-bearing loans and borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, or based on the quoted market prices at the statement of financial position date without any deductions for transaction costs if available.

*(iv) Financial guarantees*

Financial guarantees were issued by the Company to its subsidiaries for bank loans. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate difference on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

*(v) Interest rates used for determining fair value*

The entity uses the market rate of bank loans as of 31 December 2016 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

| | **2016** | 2015 |
|---|---|---|
| Bank loans and other borrowings | **1.39% ~ 8.80%** | 3.92% ~ 4.90% |
| Loans and receivables | **4.35%** | 4.35% |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 38 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Contracted for | **2,057,963** | 2,071,104 |
| Authorised but not contracted for | **3,062,212** | 3,787,573 |
| | **5,120,175** | 5,858,677 |

(b) At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Within 1 year (inclusive) | **5,361** | 2,531 |
| After 1 year but within 5 years (inclusive) | **9,490** | – |
| After 5 years | **7,998** | – |
| Total | **22,849** | 2,531 |

(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 (2015: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 39 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, Papua Cement and Sino-Myanmar International, amounting to RMB1,176,796,000 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.

## 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<br>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")<br>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 |
| Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science")<br>蕪湖海螺型材科技股份有限公司 | Subsidiary of Conch Holdings |
| Conch Design Institute<br>安徽海螺建材設計研究院 | Subsidiary of Conch Holdings |
| Conch IT Engineering<br>安徽海螺信息技術工程有限責任公司 | Subsidiary of Conch Design Institute |
| Conch Venture Wuhu<br>蕪湖海創實業有限責任公司 | Subsidiary of China Conch Venture |
| CK Engineering<br>安徽海螺川崎工程有限公司 | Subsidiary of China Conch Venture |
| CK Equipment<br>安徽海螺川崎節能設備製造有限公司 | Subsidiary of China Conch Venture |

## 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 |
|---|---|
| HC Port<br>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")<br>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")<br>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")<br>蕪湖海螺投資有限公司 | Subsidiary of China Conch Venture |
| Conch Kawasaki Equipment<br>安徽海螺川崎裝備製造有限公司 | Joint venture of the Company |
| Papua Cement<br>國投印尼巴布亞水泥有限公司 | Joint venture of the Company |
| Sino-Myanmar International<br>中緬(蕪湖)國際貿易有限公司 | Joint venture of the Company |
| Myanmar Conch<br>緬甸海螺水泥有限公司 | Joint venture of the Company |
| Yangon Conch<br>緬甸海螺(仰光)水泥有限公司 | Joint venture of the Company |
| Xiangshan Cement<br>淮北礦業相山水泥有限責任公司 | Joint venture of the Company |

## 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 |
|---|---|
| Qingsong Building Materials and Chemicals<br>新疆青松建材化工(集團)股份有限公司 | Associate of the Company |
| King Bridge Cement<br>安徽朱家橋水泥有限公司 | Associate of the Company |
| West Cement<br>中國西部水泥有限公司 | Associate of the Company |
| Chengli Building Material<br>建德市成利建材有限公司 | In trust of a subsidiary of the Company |
| Hwasu Corporation<br>安徽華塑股份有限公司 | In trust of a subsidiary of the Company before 30 Apr 2015 |

## 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*

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Conch Kawasaki Equipment | **16,956** | 35,871 |
| CK Equipment | **5,818** | 6,386 |
| Conch Profiles and Science | **2,056** | 1,808 |
| King Bridge Cement | **4,272** | 280 |
| Chengli Building Material | **75,334** | 58,310 |
| Qingsong Building Materials and Chemicals | **1,939** | 3,952 |
| Papua Cement | **31,044** | 26,617 |
| Sino-Myanmar International | **–** | 4,360 |
| Myanmar Conch | **–** | 12,103 |
| Conch Venture Green | **2,108** | 1,538 |
| Bozhou Conch Venture Green | **1,971** | 1,314 |
| Conch Design Institute | **1,840** | 372 |
| Conch IT Engineering | **959** | 257 |
| Other related parties | **601** | 1,839 |
| | **144,898** | 155,007 |

## 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)**

*(ii) Sales of property, plant and equipment*

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Conch Design Institute | **346** | 267,617 |
| Papua Cement | **218,456** | 111,261 |
| | **218,802** | 378,878 |

*(iii) Purchase of goods*

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Conch Profiles and Science | **3,498** | 7,810 |
| CK Equipment | **38,997** | 55,491 |
| Conch Kawasaki Equipment | **133,348** | 114,162 |
| King Bridge Cement | **705** | 770 |
| Other related parties | **18** | 127,632 |
| | **176,566** | 305,865 |

*(iv) Purchase of property, plant and equipment*

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| CK Engineering | **261,076** | 97,152 |
| CK Equipment | **59,149** | 109,205 |
| Conch Kawasaki Equipment | **333,183** | 381,220 |
| Conch Venture Wuhu | **27,002** | – |
| Other related parties | **–** | 23,466 |
| | **680,410** | 611,043 |

## 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)**

*(v) Provision of services*

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Conch Profiles and Science | **986** | 1,908 |
| Conch Design Institute | **883** | 839 |
| Conch Kawasaki Equipment | **3,658** | 5,652 |
| Myanmar Conch | **27,300** | 1,332 |
| Papua Cement | **19,432** | 10,071 |
| WH Investment | **15,276** | 3,351 |
| Conch Venture Wuhu | **3,550** | – |
| Sino-Myanmar International | **2,120** | – |
| Other related parties | **7** | 420 |
| | **73,212** | 23,573 |

*(vi) Receiving services*

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Conch Design Institute | **22,299** | 31,990 |
| Conch IT Engineering | **43,772** | 40,816 |
| CK Engineering | **4,049** | 16,515 |
| HC Port | **43,537** | 56,172 |
| Conch Profiles and Science | **936** | – |
| Conch Venture Wuhu | **–** | 4,265 |
| Other related parties | **–** | 143,125 |
| | **114,593** | 292,883 |

## 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**

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Sino-Myanmar International | – | 157,809 |
| Papua Cement | – | 59,980 |
| | – | 217,789 |

**– Principal Repaid**

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Sino-Myanmar International | – | 157,809 |
| Papua Cement | – | 59,980 |
| | – | 217,789 |

**– Interest**

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Sino-Myanmar International | – | 3,260 |
| Papua Cement | – | 1,437 |
| Chengli Building Material | 1,706 | 1,701 |
| | 1,706 | 6,398 |

## 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)

*(viii) Trustee service*

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Hwasu Corporation | **–** | 8,266 |
| | **–** | 8,266 |

*(ix) Transactions with Conch Holdings*

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trademark licence fees (note (i)) | **1,513** | 1,513 |
| Composite service fees (note (ii)) | **2,196** | 1,877 |
| Loan guarantees obtained (note (iii)) | **8,500,000** | 15,708,000 |
| Provision of services and sales of goods | **2,333** | 2,394 |
| | **8,506,042** | 15,713,784 |

Notes:

(i) The Group has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Group 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 Group agreed to pay RMB1,513,000 to Conch Holdings annually.

(ii) Conch Holdings charged the Group a total amount of RMB2,196,000 (2015: RMB1,877,000) for various services rendered and facilities provided during the year ended 31 December 2016.

(iii) Conch Holdings provided guarantees for debentures of the Group. These guarantees are free of any charges to the Group (notes 31 and 32).

## 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)**

*(x) Loan guarantees provided*

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Papua Cement | **798,796** | 747,738 |
| Sino-Myanmar International | **378,000** | 430,000 |
| | **1,176,796** | 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:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Short-term employee benefits | **9,751** | 8,811 |
| Post-employment benefits | **363** | 369 |
| | **10,114** | 9,180 |

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).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 2016 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| – Investment Property | | | **25,454** | | 40,156 |
| – Other Property, plant and equipment | | | **916,781** | | 907,830 |
| – Lease prepayments | | | **210,583** | | 218,741 |
| Intangible assets | | | **57,026** | | 66,133 |
| Investments in subsidiaries | 18 | | **36,913,609** | | 36,836,946 |
| Interest in associates | | | **773,046** | | 691,273 |
| Interest in joint ventures | | | **1,275,191** | | 855,579 |
| Loans and receivables | | | **4,195,000** | | 7,960,000 |
| Available-for-sale equity securities | | | **2,935,177** | | 3,249,600 |
| | | | **47,301,867** | | 50,826,258 |
| **Current assets** | | | | | |
| Inventories | | **238,584** | | 239,504 | |
| Trade receivables | | **225,262** | | 220,887 | |
| Prepayments and other receivables | | **5,417,369** | | 8,756,072 | |
| Amounts due from subsidiaries | | **22,055,917** | | 18,956,242 | |
| Amounts due from related parties | | **133,557** | | 67,693 | |
| Tax recoverable | | **15,951** | | 22,974 | |
| Restricted cash deposits | | **99,976** | | 94,537 | |
| Bank deposits with maturity over three months | | **9,500,000** | | 10,000,000 | |
| Cash and cash equivalents | | **3,210,345** | | 1,698,126 | |
| | | **40,896,961** | | 40,056,035 | |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | **2016** RMB'000 | **2016** RMB'000 | 2015 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade payables | | **197,313** | | 207,592 | |
| Other payables and accruals | | **661,116** | | 843,896 | |
| Bank loans and other borrowings | | **2,650,645** | | 6,997,430 | |
| Amounts due to subsidiaries | | **4,636,175** | | 4,844,187 | |
| Amounts due to related parties | | **47,179** | | 101,777 | |
| | | **8,192,428** | | 12,994,882 | |
| Net current assets | | | **32,704,533** | | 27,061,153 |
| Total assets less current liabilities | | | **80,006,400** | | 77,887,411 |
| **Non-current liabilities** | | | | | |
| Bank loans and other borrowings | | **6,094,359** | | 8,493,281 | |
| Deferred income | | **19,500** | | 22,060 | |
| Deferred tax liabilities | | **177,462** | | 245,118 | |
| | | | **6,291,321** | | 8,760,459 |
| **NET ASSETS** | | | **73,715,079** | | 69,126,952 |
| **CAPITAL AND RESERVES** | 36(a) | | | | |
| Share capital | | | **5,299,303** | | 5,299,303 |
| Reserves | | | **68,415,776** | | 63,827,649 |
| **TOTAL EQUITY** | | | **73,715,079** | | 69,126,952 |

# 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 2016, 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.

## 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 2016

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 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 7, Disclosure initiative | 1 January 2017 |
| Amendments to IAS 12, Income taxes – Recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| Amendments to IAS 40, Transfers of investment property | 1 January 2018 |
| IFRIC 22, Foreign currency transactions and advance consideration | 1 January 2018 |
| IFRS 15, Revenue from contracts with customers | 1 January 2018 |
| IFRS 9, Financial instruments (2014) | 1 January 2018 |
| IFRS 9, Financial instruments (2010) | 1 January 2018 |
| IFRS 9, Financial instruments (2009) | 1 January 2018 |
| Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures – Mandatory effective date and transition disclosures | 1 January 2018 |
| Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| Annual Improvements to IFRSs 2014-2016 cycle | 1 January 2018 |
| IFRS 16, Leases | 1 January 2019 |

## 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 2016 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

**IFRS 9, *Financial instruments***

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: *Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

*(a) Classification and measurement*

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

## 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 2016 (CONTINUED)

**IFRS 9, *Financial instruments* (continued)**

*(a) Classification and measurement (continued)*

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9.

The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(g) and 2(o). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

## 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 2016 (CONTINUED)

**IFRS 9, *Financial instruments* (continued)**

*(a) Classification and measurement (continued)*

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

*(b) Impairment*

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

However, a more detailed analysis is required to determine the extent of the impact.

## 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 2016 (CONTINUED)

**IFRS 15, *Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements.

Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

*(a) Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in note 2(x). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

**IFRS 15, *Revenue from contracts with customers* (continued)**

(a) *Timing of revenue recognition (continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15, for some of the Group's contracts, the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) *Significant financing component*

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue.

## 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 2016 (CONTINUED)

**IFRS 16, *Leases***

As disclosed in note 2(n), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

## 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 2016 (CONTINUED)

**IFRS 16, *Leases* (continued)**

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 38(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB 22,849,000 for properties, the majority of which is payable more than 1 year after the reporting date. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

# 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 2017

# 14. Written Confirmation of the Directors and Members of the Senior Management on the Annual Report of 2016

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 2016), as the Directors and members of the senior management of Anhui Conch Cement Company Limited, upon full understanding and review of the annual report of 2016 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 2016 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 Company Limited for year 2016 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 2016 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 |
|---|---|---|---|
| Gao Dengbang | Chairman and executive Director | Yang Mianzhi | Independent non-executive Director |
| Tai Kwok Leung | Independent non-executive Director | Mr. Leung Tat Kwong Simon | Independent non-executive Director |
| Wang Jianchao | Deputy Chairman and executive Director | Wu Bin | Executive Director and general manager |
| Ding Feng | Executive Director and deputy general manager | Zhou Bo | Executive Director and chief accountant |
| Li Qunfeng | Deputy general manager | Li Xiaobo | 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 2017