Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 743

ANNUAL REPORT
2016

CONTENT

CORPORATE INFORMATION

(as at 25 April 2017)

BOARD OF DIRECTORS

Executive Directors

Mr. HSU, Shu-ping *(Vice Chairman)*
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih *(Chief Executive Officer)*
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. Wu, Ling-ling

Non-Executive Director

Mr. HSU, Shu-tong *(Chairman)*

Independent Non-Executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming

COMPANY SECRETARY

Ms. HO Siu Pik (appointed on 22 March 2017)

AUTHORIZED REPRESENTATIVES

Dr. WU, Chung-lih (appointed on 22 March 2017)
Ms. HO Siu Pik (appointed on 22 March 2017)

MEMBERS OF AUDIT COMMITTEE

Mr. TSIM, Tak-lung Dominic *(Chairman)*
Mr. HSU, Shu-tong
Mr. LEE, Kao-chao

MEMBERS OF REMUNERATION COMMITTEE

Dr. WANG, Kuo-ming *(Chairman)*
Mr. HSU, Shu-tong
Mr. TSIM, Tak-lung Dominic

MEMBERS OF NOMINATION COMMITTEE

Mr. HSU, Shu-tong *(Chairman)*
Mr. TSIM, Tak-lung Dominic
Mr. WANG Wei

MEMBERS OF INDEPENDENCE COMMITTEE

Mr. LEE, Kao-chao *(Chairman)*
Mr. TSIM, Tak-lung Dominic
Dr. WANG, Kuo-ming

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 6 Yadong Avenue
Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion of Unit B, 11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

HONG KONG LEGAL ADVISER

Zhong Lun Law Firm
4/F, Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

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

STOCK CODE

743

COMPANY WEBSITE

www.achc.com.cn

CONTACT DETAILS

Phone: (852) 2839 3705
Fax: (852) 2577 8040

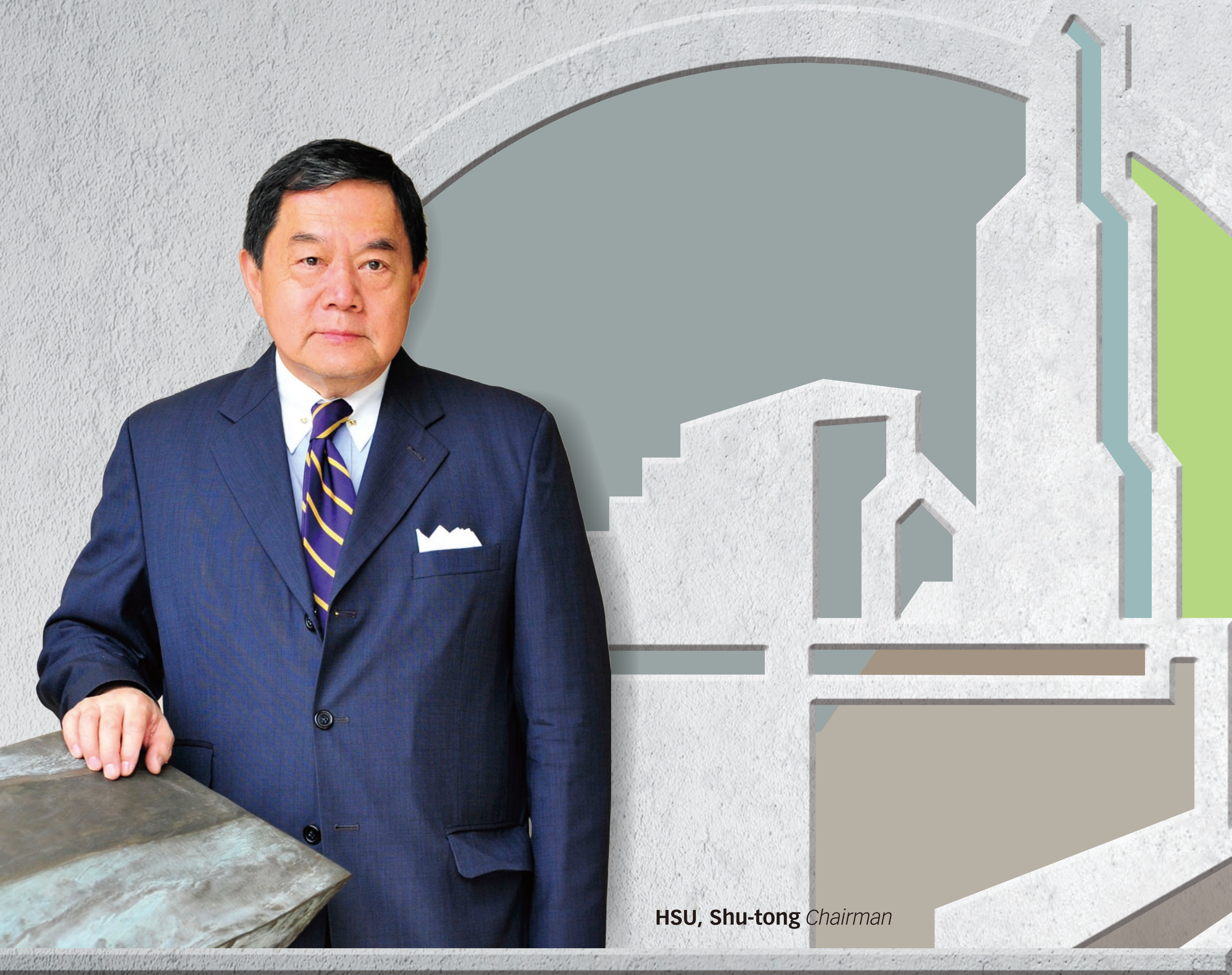
FINANCIAL HIGHLIGHTS

	Notes	2016 RMB'000	2015 RMB'000
Revenue		**6,338,152**	6,391,165
Gross profit		**1,250,152**	956,262
Profit (loss) for the year		**150,958**	(292,710)
Profit (loss) attributable to owners of the Company		**133,562**	(299,123)
Gross profit margin		**20%**	15%
Earning (loss) per share			
— Basic		**RMB0.085**	RMB(0.191)
— Diluted		**RMB0.085**	RMB(0.191)
Total assets		**15,902,155**	17,627,180
Net assets		**9,635,148**	9,570,926
Liquidity and Gearing			
Current ratio	1	**1.32**	1.10
Quick ratio	2	**1.06**	0.94
Gearing ratio	3	**0.39**	0.46

Notes:

1. *Current ratio is calculated as current assets divided by current liabilities.*
2. *Quick ratio is calculated as current assets less inventories divided by current liabilities.*
3. *Gearing ratio is calculated as total liabilities divided by total assets.*

CHAIRMAN'S STATEMENT



HSU, Shu-tong *Chairman*

To **our shareholders**,

2016 was the first year of the 13th Five-Year Plan. The transformation of China's economy into mid-to high-speed growth is a new norm, and the economic growth rate in 2016 surpassed the official target of 6.5%, thus successfully unveiling the five-year plan. With the continuous structural adjustment of its economy, China is accelerating the pace of transformation from a manufacturer focused on quantity to one on quality. In the long term, this is the right path to prosperity. However, in the short run, China will inevitably experience pains during economic transformation, such as excess capacities, asset bubbles, increased debt risks, volatile RMB exchange rates and capital outflows, which will definitely have impact on the macro environment. These impacts will not only give rise to challenges to cement operations, but also opportunities for industries to upgrade and evolve. As such, it is imperative for enterprises to think of ways to respond to these changes in order to open up new opportunities.

CHAIRMAN'S STATEMENT

China's cement industry experienced high growth during the 10th and 11th Five-Year Plan periods, but started to see market changes during the 12th Five-Year Plan period. The industry was in depression in 2015, with decline in cement output first seen in 25 years. At the beginning of 2016, the cement market was still in the doldrums. Fortunately, with joint efforts of the PRC government, the China Cement Association and cement enterprises, the market had returned to its positive track. The industry had bottomed out and enterprises saw gradual recovery in their businesses. Making a general observation of 2016, the demand for cement in China grew by more than 2% and cement output was over 2.4 billion tonnes. Cement prices started to rise steadily since August 2016. At the end of December, the average cement price reached RMB340 per tonne, and price per tonne rose by approximately RMB80 or 30% compared with that at the beginning of the year. The increased output and higher price led to a substantial increase in industry profit, which is expected to be more than RMB50 billion for the entire year.

The Group is one of the top 10 cement and clinker producers in China and the leading brand in regional markets such as Jiujiang, Nanchang, Huanggang, Wuhan, Chengdu and Yangzhou. The sales volume in 2016 was stable, and the average cement price for the full year remained at 2015's level. The Group's principal regional markets – Southeastern China and Central China – made a satisfactory profit. In 2016, as the Group focused on optimizing production costs and actively adjusted its financial structure to reduce foreign exchange risks, its profit rose significantly when compared with that of 2015, with improved operating results.

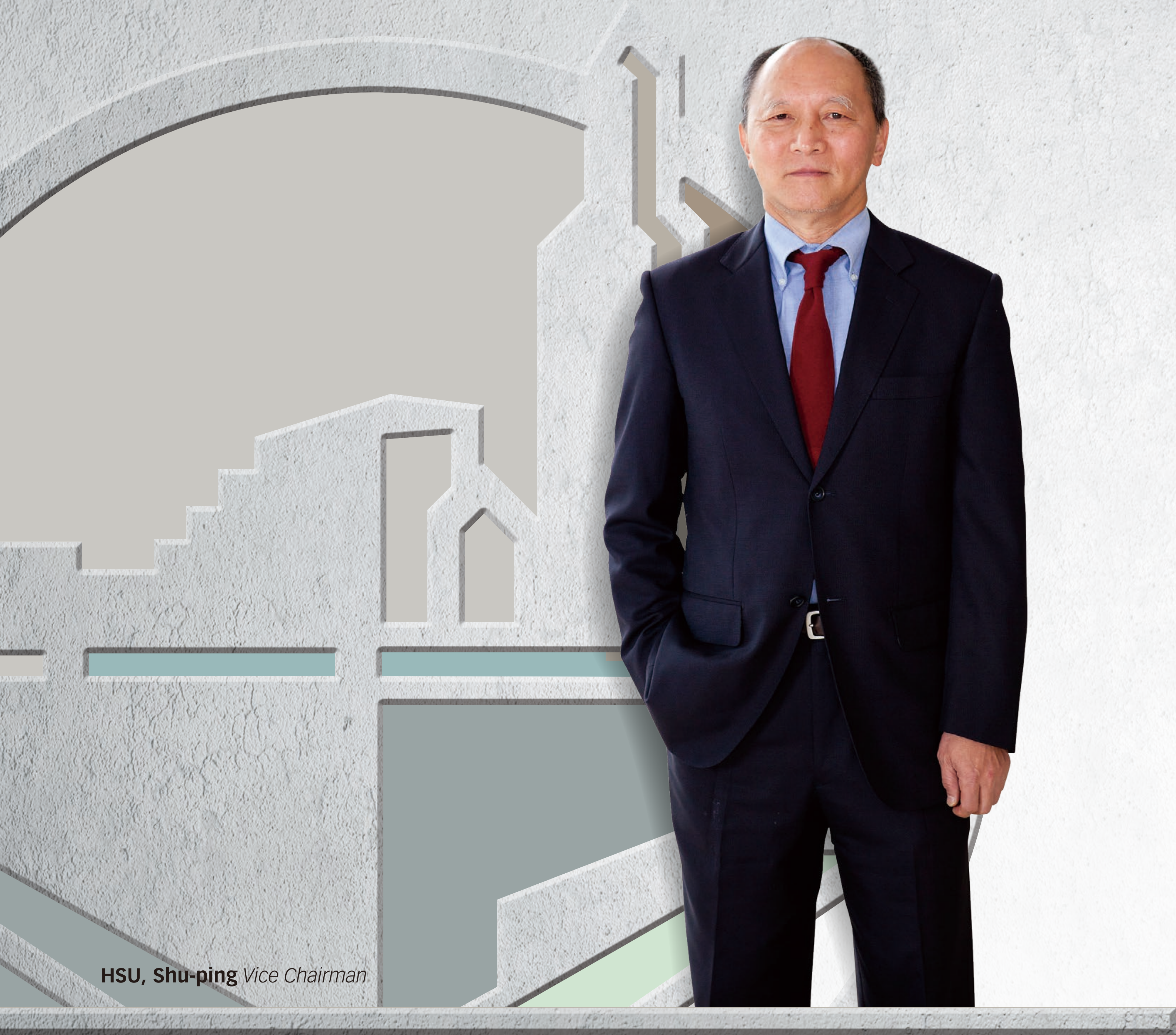
Looking into 2017, China's real estate market under the austerity measures may cool down. Cement demand will be driven mainly by infrastructure construction. Off-peak season production and other measures to limit production are expected to support cement prices. Coal price is expected to recover to a reasonable level. All these will help control cement costs. In addition, according to the guidance documents issued by the PRC government, during the 13th Five-Year Plan period, the important trends for supply and demand of the cement industry are noteworthy. First, with economic transformation, the overall demand for cement will decrease, while the cement industry will formally enter the stage of eliminating excess capacity. Second, under the supply side reform, which is the objective of eliminating excess capacity, the PRC government policy has expressly prohibited the construction of new capacity before 2020, stated its determination to eliminate 32.5 low-grade cement, and encouraged mergers between large enterprises to enhance concentration of production. Furthermore, more stringent requirements are imposed on enterprises with respect to environmental protection, energy consumption, safety, quality and other standards.

Tightened policy, on the one hand, will help improve market order; but on the other hand, it will also test the responsiveness of cement enterprises. In 2017, Asia Cement (China) will strive for improvement while maintaining steady development. The Group will consolidate its Chengdu market and other principal markets along the Yangtze River; solidify its quality customer base comprising companies with sound and healthy operations; and uphold its core business strategy of "Three Highs, One Low", namely "High Quality, High Efficiency, High Level of Environmental Protection, and Low Cost". Leveraging its solid foundation, the Group will strive for improvement in production technology, management practices and operational mindset. The Group will also seek mergers and acquisition, or strategic cooperation to become bigger and stronger, striving to achieve an aggregate capacity target of 50 million tonnes.

With external impacts intensifying and conflicts in the industrial structure still remaining, the current landscape of the cement industry is very different from that in the past decade. Cement enterprises should remain flexible and alert to beat the competition. Asia Cement (China), being an influential brand in the regional and national markets, is fully confident that it will be able to follow closely the industry reforms, to seize market opportunities and maintain stability while making progress, thereby becoming an aspiring enterprise with leadership in technology, management and market competition.

In the new year, the Group will continue to strive to achieve satisfactory results and further enhance its profitability. We are also exploring the opportunities for mergers with other enterprises and actively carry out mergers and acquisitions. We look forward to creating better results for our shareholders in recognition of their support!

VICE CHAIRMAN'S STATEMENT



HSU, Shu-ping *Vice Chairman*

VICE CHAIRMAN'S STATEMENT

Since 2013, there had been insufficient growth in demand under the great domestic downward economic pressure, and overcapacity had been a severe problem in the cement industry. As a result, the gap between supply and demand widened, and industrial production, sales, price and profits all declined. Particularly in 2015, the continued slowdown in growth of fixed assets investment suppressed cement demand, causing both the quantity and price in the cement industry to fall. Cement enterprises' ability to generate wealth decreased and profitability dropped substantially. Cement market demand slowly recovered in 2016. The implementation of off-peak season production through self-discipline within the industry achieved good results, while enterprises actively carried out mergers and acquisitions, thus narrowing the gap between supply and demand. The price of cement bottomed out after mid August 2016 and increased considerably. Enterprises saw some improvement in their profitability. However, there was still a large gap in industry earnings in 2016 compared to the first four years of the "12th Five-Year Plan" due to the rapidly rising cost.

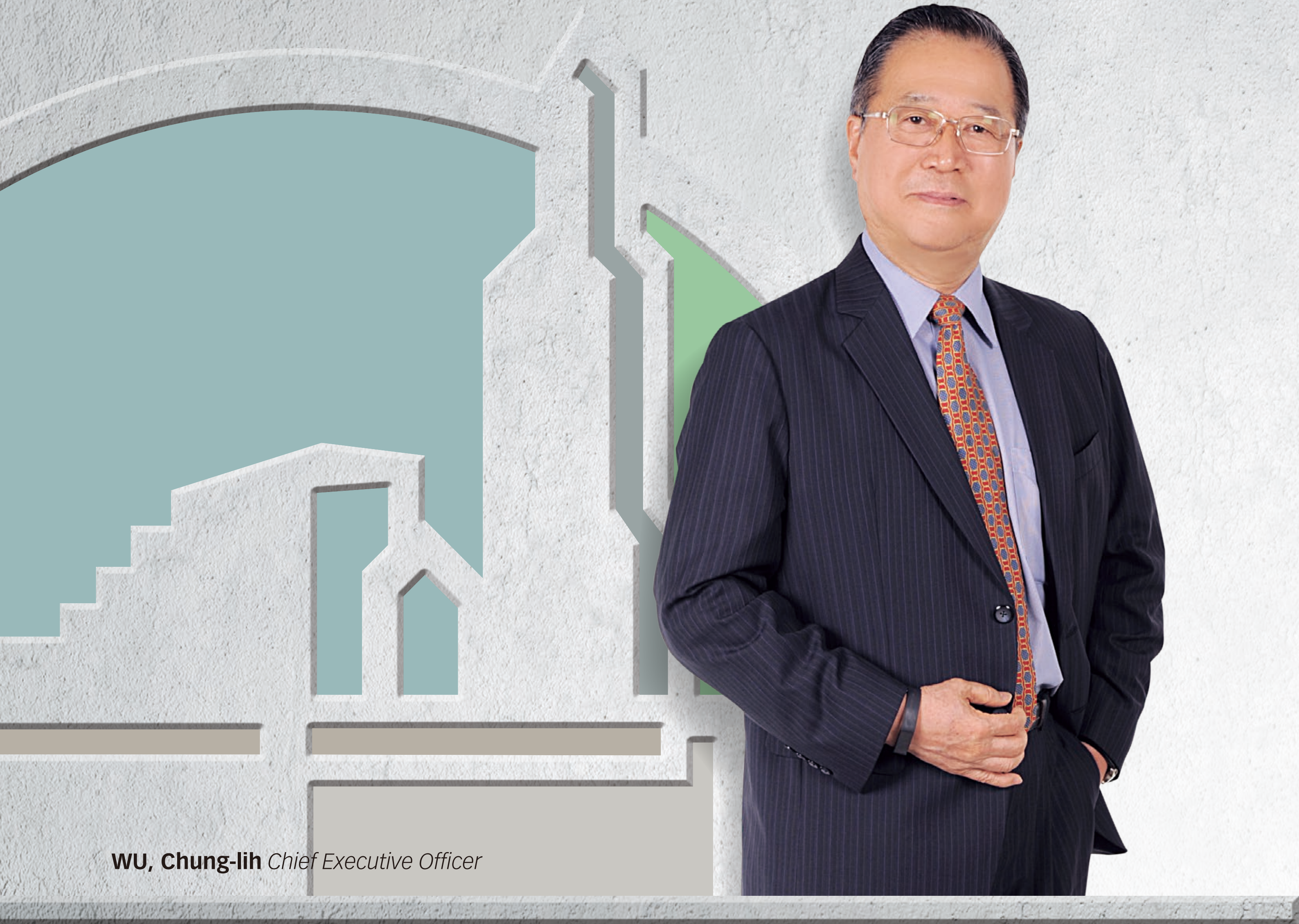
Trapped in an overcapacity crisis, the domestic cement industry has entered the era of meagre profit. While technology is becoming mature, competition among cement enterprises also tends to be sophisticated. Cost control has become the core competitive edge of enterprises, and greater attention has been given to improvement in management, which will become one of the critical factors in the competition of cement enterprises. Only by strengthening our management ability, especially in quality control and cost control, can we survive in the fierce market competition. During the year under review, the Group continued to adopt the strategies of previous year, insisting on broadening sources of income and reducing expenditure. The Group achieved good results by adopting low-cost strategies and optimizing management measures to cope with market competition.

Enterprises should pay meticulous attention to details and continue to improve if they aim to maximize their profits. Sophisticated management should be a process in which all staff are involved. Only when every employee participates in sophisticated management can it be effective. To encourage each staff to voluntarily take part in sophisticated management and to guide them on innovative thinking, the Group introduced the plan for improvement at the beginning of 2016, asking staff to review their work; should they find any problem or incompetence, they were encouraged to put forward creative solutions for improvement in order to increase work efficiency and productivity. Voluntary adoption of sophisticated management approach to regulate working practice can enhance the quality of the entire workforce while promoting the enhancement of the Group's overall management ability. Since the implementation of the plan, there were 256 practical proposals for improvement, generating a profit of over RMB14 million for the Group, which was a remarkable achievement.

Apart from encouraging employees to actively put forward proposals for improvement, the Group had increased cost efficiency in cement production through innovative technology. By modifying the operating procedures of equipment, the Group had improved the operating efficiency. The manufacturing cost had also been lowered by optimizing the production process and production organisation. Among all production units under the Group, reduction of controllable production costs for the entire year reached as high as 10%.

The building materials sector is a highly cyclical industry. Against the backdrop of a lacklustre economic growth, the weakening downstream demand added substantial pressure to the supply side. The gap created by industry structure had been widening. Enterprises in the cement sector and other traditional building materials industries saw their loss widen as the industries suffered from a downturn. In 2016, the real estate and infrastructure industries contributed to the recovery of the sector, thus lifting the domestic cement price. However, the current upturn in the cement industry is not stable, and variations among regions are large. Such a phenomenon is not going to last. In particular, the severe overcapacity problem has not been fully addressed. There still remain adverse factors affecting the industry's healthy development such as unfavourable market environment and chaotic market competition. The pains of building materials industry transformation are inevitable. The overall recovery is a long way off. The Group will continue to leverage reform and innovation, as well as sophisticated management to lay a solid foundation. It will pay high regard to technology development and strive for quality assurance. It will also focus on market development as well as internal management improvement. The Group will continue to strive for breakthroughs, to ensure the its sustainable development.

CEO'S REVIEW



WU, Chung-lih *Chief Executive Officer*

In 2016, the national cement price bounced back after hitting rock bottom. Upon reaching a historical low level, the price experienced a strong rebound as there had been a growing consensus among industry players on self-discipline. The price rose year-on-year in August 2016, and increased to 2014's high level in November. During the year under review, investment slowed down as a result of continued depreciation of Renminbi, restriction on property purchase, as well as air pollution prevention and control policy. However, according to the building materials industry development plan published by the Ministry of Industry and Information Technology under supply side reform, the elimination process of capacity would speed up, zombie enterprises would gradually be phased out, and mergers and acquisitions of companies, especially mergers of large and powerful companies, would result in a new pattern of market competition. As such, benefiting from the continued high growth in infrastructure investment and the introduction of the building materials industry development plan, cement market demand in 2016 stopped falling and started to rise. Cement output in China amounted to 2,400 million tonnes, representing a year-on-year increase of 2%, thus entering a slow-growth period.

CEO'S REVIEW

During the year under review, the Group's 15 kilns were in operation for the entire year. In 2016, the Group produced 24.29 million tonnes of clinker, up by 2% from that of the previous year, and 30.37 million tonnes of cement (including slag power). Total sales volume increased by 1% year-on-year to 30.87 million tonnes, including 29.25 million tonnes of cement and 1.30 million tonnes of clinker and 320,000 tonnes of slag powder. The Group's cement price decreased by RMB3 per tonne from that of the previous year to RMB193 (excluding tax). Meanwhile, the unit cost of coal consumption decreased from RMB465 per tonne in the past year to RMB443 per tonne (excluding tax), leading to lower production costs.

The Group's revenue for 2016 amounted to RMB6,338.2 million, down by 1% year-on-year, while gross profit and net operating profit amounted to RMB1,250.2 million and RMB563.7 million respectively, representing year-on-year increases of 31% and 158% respectively. The gross profit margin and net operating profit margin were 19.7% and 8.9% respectively, representing year-on-year increases of 4.7 percentage points and 5.5 percentage points respectively.

Since the entire industry suffered from excess capacity and declined demand had triggered companies into panic price cut, the cement sector experienced "stagnation during peak season". Furthermore, the promulgation of a new regulation on road transportation had led to higher transportation costs, making it more difficult for the cement industry's profit to increase. However, with the industry players becoming more self-disciplined and more united in raising the market price, more areas adopting off-peak season production, and enterprises' higher regard for environmental protection, there exist both opportunities and challenges. To lift its overall competitiveness, the Group had made the following efforts and improvements:

I. MANAGEMENT

Implement a top-down central command system. Apart from the audit division, staff from headquarters and supervisors will leverage their expertise to provide guidance to various operational regions (subsidiaries of the Group). Through a horizontal communication network (from right to left), general managers of subsidiaries under the Group obtain the company's most updated information through the finance, secretarial and human resources departments and can therefore execute headquarters' policy.

Choose the right people and accelerate the training of base-level managers and mid-level managers, to enlarge the pool of professional talents for the Group's future development. The Group conducted an overall review of base-level supervisors and above, as well as potential candidates for the corresponding positions of its subsidiaries and units. The operations headquarters also conducted professional training programs including TWI and MTP for these managers to assist base-level and mid-level managers in addressing their mispractice and areas of incompetence in daily management, strengthening their communication and coordination skills and enhancing the management teams' overall quality. In future, it is planned to implement more flexible talent training system to increase the overall knowledge base, and to adopt a dialogue approach among different divisions, with an aim to increase staff's understanding of the work performed by the Group's different departments and to improve communication.

Conduct performance appraisal with the general managers of subsidiaries under the Group. The Group adopted key performance guidance to assess each subsidiary's operations, strengthening the concept of accountability and encouraging subsidiaries to tighten management of controllable items to save cost and improve operation efficiency. By monitoring management control on a monthly basis through operation management and general manager meetings, the Group achieved the overall target of zero incident associated with industrial safety, environmental protection and quality, etc.

II. SALES AND MARKETING

Affected by the widespread use of mobile applications and popularity of Internet of Things, the Group changed its traditional approach of using distributors and began to reform its entire operations system. The reforms included requiring a higher proportion of direct sales, with salespeople having direct contact with customers, gradual promotion of using mobile sales apps, grouping customers according to their demand, and facilitating digital intelligent management. The Group also strengthened its GPS management system to prevent channel conflict of its cement products. The process for standardizing operations should be more systematic, reasonable and transparent.

The Group changed the standards for calculating the salaries of salespeople, so that a large part of their salaries are linked with the accounts receivables collected to increase staff motivation. The Group also conducted performance appraisal with its salespeople to raise their potential and risk awareness, while the "Customer is God" concept should be firmly established. In addition, the Group made a list of accounts receivables according to risk exposure, and stepped up collection efforts. Overdue and aged debts were also thoroughly reviewed. All these served to ensure that the Group utilized its capital efficiently.

III. TECHNOLOGY INNOVATION

With the entire cement industry facing the problem of excess capacity, the Group should undergo structural adjustment and technological upgrade to improve product quality through extensive use of new production techniques. The Group tried to utilize coal gangue to replace some of the clay and sandstone, and use heating value to increase the collection of residual heat for power generation. Supervision was centralized from the technical department, which helped each operational region to optimize the formulae for the production of additives, so as to enhance output and quality while lowering production cost.

Capitalising on the raw materials platform, a database on safety stock of general spare parts was established by the various plants and units using raw materials, who could share the database information. As a result, the inventory level of general spare parts was lowered, and the proportion of capital used in spare parts also reduced, which in turn led to decreased costs. Progressively, the Group used the imported equipment, fire-resistant materials, lubricants, motor and spare parts of domestic processors, while increasing the utilization rate of qualified China-made spare parts, thus reducing costs fundamentally.

IV. ENERGY SAVING, EMISSION REDUCTION, AND OTHER ENVIRONMENTAL PROTECTION MEASURES

In response to the national policy, the Group had set energy saving and emission reduction as its ongoing objective. Not only had the Group completed the task of energy saving and emission reduction requested by the PRC government, but it had also achieved the targets of reduced production costs and increased cost efficiency by conserving energy and reducing waste.

By separating magnesium from limestone, the life of a mine can be extended while achieving the maximum utilization of resources under the same conditions. The Group paid high regard to greening of mines. Based on its successful experience in the greening of mines in Taiwan, the Group strictly complied with "green mines" standards, by reducing damages to the ecological environment, as well as gradually restoring the landscapes to their previous unaffected conditions before mining activities.

To conclude, the extent of the volatility in cement price in 2016 was second only to those in 2008. However, strengthened cooperation among large-scale coal companies had caused coal price to gradually reach within a reasonable range. Moreover, off-peak season production was practiced in more areas, while stronger local environmental enforcement had led to a higher number of polluting enterprises suspending operation and production. All these helped reduce cement market supply. In addition, more companies carried out mergers and acquisitions, with stronger willingness to raise cement price. The building materials industry development plan prohibits expansion of cement capacity and advocates the use of PO42.5 grade or higher grade cement. It is expected that the problem of excess capacity will gradually be under control in the first half of 2017, and the release of new production capacity and market demand will tend to stabilize. The Group is fully confident that it can seize market opportunities by leveraging its competitive edge. In the new year, the Group will conduct thorough market review to capitalize on demand, lower costs and increase profits for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first quarter of 2016, the average selling price of China's P.O42.5 grade cement dropped below RMB250 per tonne. The industry recorded a first quarterly loss of RMB2 billion for the first time, and the loss continued to expand. In May 2016, the State Council of the People's Republic of China promulgated the "Guiding opinion regarding facilitating construction materials industry to maintain steady growth, make structural adjustment and increase efficiency" (Guobanfa [2016] No. 34). The guiding opinion provided a clear objective to the supply-side structural reform of the cement industry and policy measures to solve the problem of excess capacity. Furthermore, driven by both the PRC government and the China Cement Association, the strength and geographical scope of off-peak season production were enhanced. The aforesaid together with a number of factors including an increase in upstream coal price and rise in transportation cost as a result of the control of overloaded highway transport had caused the cement price to gradually revive after August 2016. (Source: Digital Cement website)

In 2016, fixed assets investment in China saw an 8.1% year-on-year increase, representing a 1.9 percentage points drop from that of 2015; property development investment rose by 6.9% year-on-year, up by 5.9 percentage points from that of 2015. The government's substantial investment in infrastructure construction and the recovery of property sales helped lift the national cement demand in 2016. The national cement output reached 2,402.95 million tonnes, representing an increase of 54.99 million tonnes or 2.5% as compared to that of 2015.

In 2016, cement demand gradually became stable, while the supply growth trend slowed down. According to China Cement Research Institute's preliminary statistics, affected by stringent regulation of "Guobanfa [2016] No. 34", a total of 20 cement and clinker production lines, with an aggregate additional clinker production capacity of 25.82 million tonnes, commenced operation in 2016. The new supply of clinker capacity represented a decrease of 21.63 million tonnes or 45.3% when compared with that of 2014, which was the fourth consecutive year of decline. Although the growth rate of new capacity had slowed down and the supply-side structural reform had forced a certain amount of capacity to be phased out of the market, the oversupply problem in the industry remained severe, and the capacity utilisation rate was low. Market scramble and price competition were fierce. Against this backdrop, China Cement Association had stepped up its market coordination efforts in different regions. This together with the growing consensus on cooperation among leading industry players and self-disciplined off-peak season production carried out in various regions, the severe oversupply was alleviated to a certain extent.

To overcome challenges, the Group moved with the times, by deepening reform and continuing to innovate in 2016. First, speed up internal management reform and innovation through simplification. The Group's headquarters coordinated the standardisation of rules of management of its subsidiaries to enhance management efficiency. Particularly in June 2016, the Group announced the implementation of the "Sales Representatives' Performance Appraisal Administrative Measures", thereby increasing the motivation of sales representatives, while the Group's overall business was also instilled with new dynamics. Second, exercise stringent control over accounts receivable management. The Group's overall accounts receivable showed improvement in 2016, reducing by 17% from that of 2015. The optimisation of cash flow thus eased the Group's capital pressure to a certain extent. Third, maintain stable sales in existing markets, identify premium customers and actively expand international market, to develop a diversified marketing and sales approach. Benefitting from the recovery of the national infrastructure construction and property market, and leveraging the good reputation of the Skyscraper brand cement built over the years, the Group's overall sales volume rose and maintained the top two rankings by market share in its core markets. With respect to overseas markets, amid a complex international landscape in 2016, the Group's export volume remained basically the same as in 2015, attributable to the Group's sales diversification. Fourth, continue to adhere to the operation principles of sustainable development and environmental friendly development. The Group had strictly complied with the laws and regulations promulgated by the relevant authorities, and strove to minimise the environmental impacts of production by advocating energy saving and carbon reduction, monitoring its factories' greenhouse gases emission, preventing and regulating air pollution and managing sewage and wastes, in order to provide customers with low carbon products.

The 13th Five-Year Plan saw a successful first year as reflected in the national economy in 2016. China's cement market also showed signs of recovery, with an annual cement production of 2.4 billion tonnes, up by 2.5% year-on-year. Riding on the favourable trend, the Group achieved a 1.2% year-on-year increase in clinker output to 24.29 million tonnes for 2016. The total sales volume of cement products continued to increase, with a year-on-year increase of 1.6% to 30.87 million tonnes. In addition, there had been a growing consensus on self-discipline among industry players since the beginning of 2016, leading to a gradual rebound in prices in major sales regions. As a result, the Group turned its poor performance in 2015 around, with its overall earnings in 2016 significant higher than that of 2015.

Table 1: Total sales volume (Unit: '000 tonnes)

Item	2016	2015	% Change
Cement	**29,250**	28,418	3
Clinker	**1,298**	1,758	(26)
Blast-furnace slag powder	**320**	202	58
Total	**30,868**	30,378	2

Table 2: Breakdown of sales volume of cement by region (Unit: '000 tonnes)

Item	2016	2015	% Change
Southeastern region	**10,569**	10,411	2
Central region	**7,158**	7,847	(9)
Southwestern region	**8,595**	7,818	10
Eastern region	**2,928**	2,342	25
Total	**29,250**	28,418	3

Table 3: Sales volume of high grade and low grade cement (Unit: '000 tonnes)

Item	2016 Sales volume	2016 Percentage (%)	2015 Sales volume	2015 Percentage (%)
High grade cement	24,555	84	22,793	80
Low grade cement	4,695	16	5,625	20
Total	29,250	100	28,418	100

Table 4: Sales volume of bagged and bulk cement (Unit: '000 tonnes)

Item	2016 Sales volume	2016 Percentage (%)	2015 Sales volume	2015 Percentage (%)
Bulk cement	22,333	76	20,887	73
Bagged cement	6,917	24	7,531	27
Total	29,250	100	28,418	100

(1) Central and downstream regions of Yangtze River

Approximately 70% of the Group's cement capacity (about 24 million tonnes) was located in the central and downstream regions of Yangtze River. The Group was among this region's largest cement enterprises in terms of production capacity. In Wuhan, Jiujiang and Yangzhou, the Company ranked first in market share, while in Nanchang it ranked second. In 2016, cement demand in central and downstream regions of Yangtze River "softened during peak season", as the markets in these regions faced continuous downturn and rigorous competition in the first half of 2016 and affected by the flooding resulted from rainy weather in July and the post-disaster recovery and scorching temperatures in August in the second half of the year. In addition, the substantial rise in coal prices in July and August continued to push up the production costs of clinker and cement. Under the aforesaid situation, industry players, in general, faced operational difficulties. As a result, the industry responded to the call of China Cement Association and implemented energy-saving and emission reduction measures, as well as exercised self-discipline to reduce production since August. Meanwhile, due to G20 summit held in Hangzhou in late August till early September, enterprises in the surrounding areas were mandatorily required to restrict production, which greatly reduced cement supply in the downstream region of Yangtze River, thus accelerating the pace at which industry players exercised self-discipline and increasing their willingness to reduce production. Affected by the abovementioned factors, cement prices began to increase since August. Entering September, as production restriction continued to be imposed on enterprises in certain regions and downstream infrastructure projects commencing construction continued to rise, cement prices continued to increase. In the fourth quarter, both quantity and price rose. Despite the various unfavourable factors, the Group sold a total of 22.11 million tonnes of cement products in the central and downstream regions of Yangtze River in 2016, only slightly down by 1.4% when compared to that of 2015 (basically in line with the drop in market demand), by leveraging its long-term dedication to market development for over 10 years and guarantee of high product and service quality.

(2) Chengdu region

The Group had an aggregate cement capacity of 11 million tonnes in Chengdu region, being the largest cement producer in the region and ranked first in market share. Market demand in Chengdu increased by 5% in 2016 as compared to that of 2015. However, due to severe overcapacity, there was still a large gap between supply and demand. Although China Cement Association convened several meetings to call for deepening the supply-side reform to enhance industry profitability, various measures could not be effectively implemented. As a result, cement selling prices continued to hover at low levels. Cement price only began to rise in the second half of the year, when market demand recovered and the cost for foreign cement products to enter the Chengdu market increased due to rising transportation costs as a result of the control of overloaded highway transport. The Group thus stepped up its marketing efforts in the region. For 2016, the Group sold a total of 8.76 million tonnes of cement products in the Southwestern region, representing an increase of 800,000 tonnes or 10.1% from 2015's 7.96 million tonnes.

Table 5: The Group's market share by region and city (%)

Item	2016	2015
Jiujiang	38%	38%
Nanchang	26%	26%
Wuhan	27%	27%
Chengdu	32%	31%
Yangzhou	28%	30%

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2016, the Group's revenue amounted to RMB6,338.2 million, representing a decrease of RMB53.0 million or 1% from RMB6,391.2 million in 2015. The decrease in revenue was mainly attributable to the decrease in the average selling price of the Company's products during 2016.

	2016		2015	
Region	RMB'000	%	RMB'000	%
Southeastern region	2,359,717	37	2,436,535	38
Central region	1,603,377	25	1,804,502	28
Southwestern region	1,718,501	27	1,550,896	24
Eastern region	656,557	11	599,232	10
Total	6,338,152	100	6,391,165	100

In respect of revenue contribution for 2016, sales of cement accounted for 89% (2015: 86%) and sales of concrete accounted for 6% (2015: 8%). The table below shows the sales breakdown by product during the reporting period:

	2016		2015	
	RMB'000	%	RMB'000	%
Cement	5,650,370	89	5,557,786	86
Clinker	198,785	3	266,791	4
Ready-made concrete	401,292	6	510,419	8
Blast-furnace slag powder	44,330	1	32,838	1
Others	43,375	1	23,331	1
Total	6,338,152	100	6,391,165	100

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2016, the Group's cost of sales decreased by approximately 6% to RMB5,088.0 million from RMB5,434.9 million in 2015 due to the decrease in the cost of coal for the production of cement products.

The gross profit for 2016 was RMB1,250.2 million (2015: RMB956.3 million), with a gross profit margin of 20% (2015: 15%). The increase in gross profit was mainly attributable to the decrease in the average production cost of the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2016, other income amounted to RMB91.0 million, representing a decrease of RMB37.5 million from RMB128.5 million in 2015. The decrease in other income was attributable to the decrease in government grant, transportation fee income and interest incomes during 2016.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts, loss from changes in fair value of investment properties and loss on disposal/write-off of property, plant and equipment. For 2016, other losses amounted to RMB104.6 million, representing a decrease of RMB315.0 million from the other losses of RMB419.6 million in 2015. The decrease in losses was principally attributable to the decrease in foreign exchange loss from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2016, the distribution and selling expenses increased by approximately 4%, from RMB415.3 million in 2015 to RMB431.6 million in 2016. Such increase was mainly attributable to an increase in transportation cost of cement products during 2016.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by approximately 21%, from RMB322.5 million in 2015 to RMB254.8 million in 2016. The decrease was attributable to the Group using multiple measures to achieve cost-efficiency and less bonus was paid to the staff during 2016.

The 25% increase in finance costs was mainly due to the shifting to more RMB-denominated bank borrowings with higher interest rate from US dollar-denominated bank borrowings to reduce the foreign exchange risk during 2016.

Profit (Loss) before Tax

As a result of the foregoing factors, the profit before tax for 2016 increased by RMB577.6 million, constituting a profit of RMB330.3 million (2015: loss of RMB247.3 million).

Income Tax Expenses

In 2016, income tax expenses increased by RMB134.0 million, or approximately 295%, to RMB179.4 million from RMB45.4 million in 2015.

Non-controlling Interests

In 2016, non-controlling interests amounted to RMB17.4 million, representing an increase of RMB11.0 million, or approximately 172%, from RMB6.4 million in 2015 primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit (Loss) for the Year

For 2016, the net profit of the Group amounted to RMB151.0 million, representing an increase of RMB443.7 million from the loss of RMB292.7 million in 2015.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2016. Total assets decreased by approximately 10% to RMB15,902.2 million (31 December 2015: approximately RMB17,627.2 million) while total equity increased by approximately 1% to RMB9,635.1 million (31 December 2015: approximately RMB9,570.9 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2016, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB568.3 million (31 December 2015: RMB1,138.7 million) of which approximately 98% was denominated in RMB and approximately 2% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB1,249.4 million in 2015 to RMB1,665.7 million in 2016. This was mainly due to the increase in profit before tax.

The Group's cash inflow from investment activities primarily consisted of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consisted of purchases of property, plant and equipment, land use rights and quarry. In 2016, the net cash used in investment activities of the Group amounted to RMB173.1 million, representing a decrease of 53% from RMB370.7 million in 2015. The decrease in cash flow used in investment activities by RMB197.6 million was primarily attributable to less cash used for the purchase of property, plant and equipment in 2016.

In 2016, the net cash used in financing activities of the Group amounted to RMB2,064.4 million. This was primarily due to repayment of borrowings in 2016.

Capital Expenditure

Capital expenditure for the year ended 31 December 2016 amounted to approximately RMB203.2 million and capital commitments as at 31 December 2016 amounted to approximately RMB526.4 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2016 and 2015 are summarised below:

	As at 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Short-term borrowings	**1,928,934**	**37**	3,379,212	49
Long-term borrowings	**3,262,563**	**63**	3,565,860	51
Currency denomination				
– RMB	**5,191,497**	**100**	2,333,828	34
– US dollars	**–**	**–**	4,611,244	66
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**5,191,497**	**100**	6,945,072	100
Interest rate structure				
– fixed-rate borrowings	**–**	**–**	–	–
– variable-rate borrowings	**5,191,497**	**100**	6,945,072	100
Interest rate				
– fixed-rate borrowings	**N/A**		N/A	
– variable-rate borrowings	**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.8% to 1.25%**		90% to 100% of Benchmark Rate or LIBOR plus margin of 0.6% to 2.6%	

As at 31 December 2016, the Group had unutilised credit facilities in the amount of RMB4,929.0 million.

As at 31 December 2016, the Group's gearing ratio was approximately 39% (31 December 2015: 46%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2016 and 2015 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2016.

Contingent Liabilities

As at the date of this report and as at 31 December 2016, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2016, the Group had 4,208 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2016, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2016.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

The Central Economic Work Conference convened in December 2016 had set the work guidance of "making progress while maintaining stability" for 2017. The PRC government will continue to adopt proactive and effective fiscal policy and prudent monetary policy in order to promote a stable and healthy economic development. 2017 is a crucial year for the nation's "13th Five-Year Plan". It is also a year for deepening supply-side structural reform, under which implementation of the excess capacity reduction policy in the cement industry will accelerate, efforts to address the issue of "zombie companies" will be stepped up, and green production will further be promoted. As a result, the industry's supply-side structure will continue to improve. According to the Digital Cement's forecast, cement market demand in 2017 will basically be the same or a bit lower than that of 2016, while cement prices will show signs of "stability with an upward trend". It is expected that the industry profitability will continue to grow.

In view of the abovementioned favourable factors, it is reasonable for the Group to have expectations for its performance in 2017. First, facing a complex domestic and international economic landscape in 2016, the nation's economy maintained a slow but stable growth, while showing positive signs, realising a good start for the "13th Five-Year Plan". Based on a preliminary estimate, the GDP growth rate for 2016 would be 6.7% year-on-year. It is expected that the GDP growth rate for 2017 will be around 6.5% to 6.7%, which is within a reasonable range. The economy will continue to maintain a steady growth. Infrastructure investment remains the key contributor to a steady economic growth, as well as a strong support for cement demand. In 2016, infrastructure investment grew at a relatively fast pace. It is expected that infrastructure investment will increase by about 20% in 2017, with high-speed growth in the western region. Second, with the optimization of the industry structure, the pressure of supply of new capacity will be eased. According to the No.34 document issued by the State Council, filing as well as construction of new and expansion of existing cement and clinker projects are prohibited until the end of 2020. The document also requested enterprises to voluntarily cease production of 32.5 grade cement products and focus on producing 42.5 grade or above cement products. The China Cement Association is currently stepping up its efforts to implement measures requested by the document. This will, to certain extent, alleviate the overcapacity problem in the cement industry and accelerate the phase-out of enterprises producing low grade cement products, which will benefit the Group as well as the industry as a whole. Third, mergers and acquisitions tend to be carried out among large and powerful companies. Although there were only five mergers and acquisitions in 2016, they were basically carried out among large enterprises. Of these mergers and acquisitions, half of them were carried out among companies within the top 10 largest enterprises by clinker capacity in 2015. This opportunity allowed the Group to be enlisted among China's top 10 largest enterprises by clinker capacity for the first time. Mergers and acquisitions as well as restructuring among large enterprises will also help raise the industry concentration level, and the competitive edges of large enterprises can help further stabilise market supply and price. Fourth, industry players are more ready to exercise self-discipline and coordinate with each other, resulting in a relatively stable price level within regions. Enterprises saw substantial improvement in their profitability from that of 2015. Fifth, entering the information age, advanced information technology has transformed the traditional cement industry in many ways, thereby streamlining work flow, reducing labour cost and increasing enterprises' efficiency. All in all, by seizing opportunities and responding to changes, 2017 is a year worth looking forward to.

In view of the aforesaid, the Group expects that the national cement demand in 2017 will be basically the same as that in 2016. With the government's effort to deepen the supply-side structural reform, the gap between supply and demand will gradually be narrowed. Meanwhile, with the industry association playing a bigger role, the implementation of energy saving and emission reduction as well as off-peak season production, and the more positive competition and cooperation among large enterprises, the Group is optimistic and confident about the industry performance in 2017. In 2017, the Group plans to sell a total of over 31.62 million tonnes of cement products, representing an increase of 0.75 million tonnes or 2.4% from 30.87 million tonnes in 2016.

2017 is a crucial year of the nation's "13th Five-Year Plan"; it is also a year of deepening the supply-side structural reform. The Group will continue to embrace its corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", abide by its operation principle of full disposal of all output, seize the opportunities arising from the current cement industry structural reform, actively advocate self-discipline and coordination among industry players, consolidate its current leading market positions in various regions, and fine-tune existing sales network. While working all-out to develop new target markets, the Group will also strive to enhance its operational efficiency, lower cost, accelerate staff training, optimize staff organisational structure, strengthen the control of energy saving and emission reduction, thus making the Group to be accountable to its staff, shareholders and society. This will not only help lift the Group's operation efficiency to a new level, but will also enable the Company to develop as an international enterprise with perception, rich in culture and committed to social responsibility. All in all, the future of the Group is promising.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2016, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lee Kao-chao, an independent non-executive Director was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 24 May 2016 due to his overseas commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review. Details of the shareholding interests held by the Directors as at 31 December 2016 are set out in page 39 of this annual report.

BOARD OF DIRECTORS

The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions.

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises eleven Directors, including six executive Directors, one non-executive Director and four independent non-executive Directors. Board members are listed below:

Executive Directors

Mr. HSU, Shu-ping *(Vice Chairman)*
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih *(Chief Executive Officer)*
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. Wu, Ling-ling (appointed on 14 April 2016)
Madam CHIANG SHAO, Ruey-huey
(resigned on 14 April 2016)

Non-executive Director

Mr. HSU, Shu-tong *(Chairman)*

Independent Non-executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. LEE, Kao-chao
Mr. WANG, Wei
Dr. WANG, Kuo-ming

Biographical information of the Directors is set forth on pages 30 to 33 of this annual report.

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 30 June 2014, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2014, and Ms. Wu, Ling-ling has entered into a service contract with the Company on 14 April 2016, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non-executive Director, for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming commencing on 30 June 2014, 13 April 2015, 13 April 2015 and 1 October 2015 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. HSU, Shu-tong as Chairman and Dr. WU, Chung-lih as Chief Executive Officer.

The Chairman of the Board has held a meeting with the non-executive Directors (including independent non-executive Directors) of the Company during the year.

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and six meetings were held in 2016. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors will normally receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

The table below sets out the details of Board meeting attendance of each Director in 2016.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	6/6
Mr. HSU, Shu-ping	6/6
Mr. CHANG, Tsai-hsiung	6/6
Dr. WU, Chung-lih	6/6
Mr. CHANG, Chen-kuen	6/6
Mr. LIN, Seng-chang	6/6
Ms. WU, Ling-ling (appointed on 14 April 2016)	4/4
Madam CHIANG SHAO, Ruey-huey (resigned on 14 April 2016)	2/2
Mr. TSIM, Tak-lung Dominic	6/6
Mr. LEE, Kao-chao	6/6
Mr. WANG, Wei	6/6
Dr. WANG, Kuo-ming	6/6

The company secretary of the Company (the "Company Secretary") is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. During the year ended 31 December 2016, Mr. LO Wai-kit ("Mr. Lo") was the then Company Secretary of the Company. Mr. Lo resigned as Company Secretary of the Company on 17 March 2017 and Ms. HO Siu Pik of Tricor Services Limited, external service provider, has been appointed as the Company Secretary with effect from 22 March 2017 to fill the vacancy left from the resignation of Mr. Lo.

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association (the "Articles") also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

According to Article 86 of the Articles, all Directors appointed to fill a casual vacancy should be subject to re-election by the shareholders at the first general meeting after their appointment and all Directors appointed as an addition to the existing Board should be subject to re-election by the shareholders at the next following general meeting after their appointment. According to Article 87 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

The non-executive Director is engaged on an appointment letter for a term of three years and shall be subject to retirement by rotation once every three years.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each of the newly appointed Directors on his/her first appointment in order to enable him/her to have an appropriate understanding of the business and operations of the Company and to be fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors.

During the year, the Company received training records from all Directors relevant to the Company's business or to Directors' duties and responsibilities.

The individual training record of each Director received for financial year ended 31 December 2016 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. HSU, Shu-ping	A and B
Mr. CHANG, Tsai-hsiung	A and B
Dr. WU, Chung-lih	B
Mr. CHANG, Chen-kuen	A and B
Mr. LIN, Seng-chang	B
Ms. WU, Ling-ling (appointed on 14 April 2016)	A and B
Madam CHIANG SHAO, Ruey-huey (resigned on 14 April 2016)	–
Non-executive Director	
Mr. HSU, Shu-tong	A
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	B
Mr. LEE, Kao-chao	B
Mr. WANG, Wei	B
Dr. WANG, Kuo-ming	B

Notes:

A: attending briefings/seminars/forums/workshops/conference relevant to the business or directors' duties

B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

AUDIT COMMITTEE

During the year under review, the primary responsibilities carried out by the Audit Committee include:

– making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;

– reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and

– overseeing the Company's financial reporting system, risk management and internal control systems, including but not limited to, review of financial control, risk management and internal control systems, consideration of actions to be taken in respect of any findings of major investigations of risk management and internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Mr. LEE, Kao-chao who are independent non-executive Directors. The Audit Committee is chaired by Mr. TSIM, Tak-lung Dominic.

Two meetings were held with the management and/or the external auditors in 2016. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

	Number of Audit Committee Meetings attended/held
Committee members	
Mr. TSIM, Tak-lung Dominic (chairman)	2/2
Mr. HSU, Shu-tong	2/2
Mr. LEE, Kao-chao	2/2

A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 16 March 2012 and amended on 28 December 2015 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on Hong Kong Exchanges and Clearing Limited's ("HKEx") website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION COMMITTEE

During the year under review, the primary responsibilities carried out by the Remuneration Committee include:

– making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;

– determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;

– reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and

– ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WANG, Kuo-ming who are independent non-executive Directors. The Remuneration Committee is chaired by Dr. WANG, Kuo-ming.

One meeting was held in 2016. Members of Remuneration Committee attendance at committee meeting held during their term of office are listed below:

	Number of Remuneration Committee Meeting attended/held
Committee members	
Dr. WANG, Kuo-ming (chairman)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Mr. HSU, Shu-tong	1/1

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 14 to the financial statements.

The remuneration of the members of senior management by bands in 2016 is set out below:

Remuneration bands	Number of individuals
HK$1,000,001–HK$1,500,000	2
HK$1,500,001–HK$2,000,000	–

INDEPENDENCE COMMITTEE

During the year under review, the primary responsibilities carried out by the Independence Committee include:

– reviewing all transactions between the Group, Asia Cement Group and Far Eastern Group to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and to recommend to the Board the corrective measures in such transactions if needed or not to proceed with such transactions;

– establishing, where applicable, guidelines for management to follow in its ongoing transactions between the Group, Asia Cement Group and Far Eastern Group;

– reviewing and assessing ongoing relationships between the Group, Asia Cement Group and Far Eastern Group to ensure compliance with the Committee's guidelines established as aforesaid and to ensure the continuation of such relationship remains fair to the Group; and

– analyzing and assessing any potential conflict of interests between the Group, Asia Cement Group and Far Eastern Group.

The Independence Committee comprises Mr. TSIM, Tak-lung Dominic, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming who are independent non-executive Directors. The Independence Committee is chaired by Mr. LEE, Kao-chao.

Two meetings were held in 2016. Members of Independence Committee attendance at committee meeting held during their term of office are listed below:

	Number of Independence Committee Meeting attended/held
Committee members	
Mr. LEE, Kao-chao (chairman)	2/2
Mr. TSIM, Tak-lung Dominic	2/2
Dr. WANG, Kuo-ming	2/2

Save as disclosed in the section headed "Continuing Connected Transaction" in the Director's Report, no additional ongoing relationships or potential conflict was identified during the year.

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. HSU, Shu-tong who is a non-executive Director, and Mr. TSIM, Tak-lung Dominic and Mr. WANG, Wei who are independent non-executive Directors. The Nomination Committee is chaired by Mr. HSU, Shu-tong. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. A set of written terms of reference, which described the authority and duties of the Nomination Committee, was amended and adopted by the Board on 1 September 2013 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

The Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Two meetings were held in 2016. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

	Number of Nomination Committee Meeting attended/held
Committee members	
Mr. HSU, Shu-tong (chairman)	2/2
Mr. TSIM, Tak-lung Dominic	2/2
Mr. WANG, Wei	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties set out in code provision D.3.1 of the CG Code as follows:

(i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations to the Board;

(ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements (where applicable);

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

(v) reviewing the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 46 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 46 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2016 is as follows:

	2016 RMB'000
Audit services	4,416
Non-audit services	–
Total	4,416

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management, conduct reviews of the effectiveness of the Company's risk management and internal control systems, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's risk management and internal audit department and management on the effectiveness of the Company's risk management and internal control systems, and reports to the Board on such reviews. In respect of the year ended 31 December 2016, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

The risk management and internal audit division of the Group should ensure that the Company maintains sound and effective risk management and internal controls to safeguard the shareholders' investment and the Company's assets. The main functions of the risk management and internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audit upon resignation of any key management personnel, to assist Board in reviewing the effectiveness of the risk management and internal control systems of the Group and to review risk management and internal controls of business processes and project based auditing. Evaluation of the Group's risk management and internal controls covering financial, operational compliance controls and risk management functions had been done on an ad hoc basis.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including independent non-executive Directors), senior management and external auditors shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the HKEx.

In accordance with the Articles, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Company secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company in Hong Kong at 11/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in the guidelines entitled "Procedures for Shareholders to Propose a Person for Election as a Director" on the Company's website at www.achc.com.cn.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Internal Audit Department of the Group. The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all executive Directors, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 16 March 2012 to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The 2016 annual general meeting of the Company ("2016 AGM") was held on 24 May 2016. The notice of the 2016 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2016 AGM.

The extraordinary general meeting of 2016 ("2016 EGM") was held on 24 May 2016. The notice of 2016 EGM was sent to the shareholders of the Company at least 14 clear business days before 2016 EGM.

The attendance record of the Directors at the general meetings is set out below:

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. HSU, Shu-ping	2/2
Mr. CHANG, Tsai-hsiung	2/2
Dr. WU, Chung-lih	2/2
Madam CHIANG SHAO, Ruey-huey (resigned on 14 April 2016)	0/2
Mr. CHANG, Chen-kuen	2/2
Mr. LIN, Seng-chang	2/2
Ms. Wu, Ling-ling (appointed on 14 April 2016)	2/2
Non-executive Director	
Mr. HSU, Shu-tong	2/2
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	2/2
Mr. LEE, Kao-chao	0/2
Mr. WANG, Wei	2/2
Dr. WANG, Kuo-ming	2/2

The Company's external auditor also attended the 2016 AGM.

To promote effective communication, the Company maintains a website at http://www.achc.com.cn, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group have maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.achc.com.cn.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the HKEx.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During 2016, Mr. LO Wai Kit ("Mr. Lo"), the then Company Secretary, has attended no less than 15 hours of relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules. Mr. Lo resigned as Company Secretary of the Company on 17 March 2017 and Ms. HO Siu Pik ("Ms. Ho") of Tricor Services Limited, external services provider, has been appointed as the Company Secretary with effect from 22 March 2017 to fill the vacancy left from the resignation of Mr. Lo. Ms. Ho's primary contact person at the Company is Mr. WU Chien-hua, the associate of the finance department and the manager of the accounting department of the Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Company has six executive Directors, one non-executive Director and four independent non-executive Directors. Their details are set out below:

NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 75, is the chairman of the Group. Mr. HSU's principal responsibilities involve leading the overall strategy and business development of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises 246 companies extending into China with operations in countries including Japan, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 60,000, and in 2016, it has total assets of US$74.9 billion and annual revenues of US$18.7 billion.

The Group has nine public companies, which are leaders in their respective fields including Petrochemicals & Energy; Textile & Polyester Fiber; Cement/Building Material; Sea/Land Transportation; Financial Services; Construction; Telecommunications; Retail/Department Stores and Hotels. Group Foundations are committed to social responsibilities and include the establishment of Taiwan's leading private university, technical institute, and medical center/hospital. Mr. HSU is also the chairman of Far Eastern New Century Corporation, U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co., Ltd. and Asia Cement Corporation, the vice chairman of Far Eastern International Bank and a director of Everest Textile Co., Ltd., which are listed in Taiwan.

Outside Far Eastern Group, Mr. HSU's professional and other affiliations in prominent organizations include: Director of MasterCard Asia/Pacific Regional Advisory Board, Director of Prudential/Asia Pacific Fund, Member of Asia Business Council, Director of Asian Cultural Council, Advisor of International Advisory Council for Wuhan Municipal People's Government, Director of Chung-Hua Institution for Economic Research, Director of the Straits Exchange Foundation, Director of Chiang Ching-kuo Foundation for International Scholarly Exchange, Board Member of National Cultural & Arts Foundation, Chairman of Asian Cultural Council Taipei, Trustees Emeritus of University of Notre Dame, former President of International Textile Manufacturers Federation (ITMF), and former Co-Chair of Nature Conservancy Asia Pacific Council.

Mr. HSU graduated from the University of Notre Dame, IN (BA, MA) with post-graduate studies in economics at Columbia University, NY in the US. Since 2002 he holds an honorary doctorate of management from National Chiao Tung University in Taiwan.

Mr. HSU is brother of Mr. HSU, Shu-ping, executive Director of the Company.

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 71, is an executive Director and the vice chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and Far EasTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr. CHANG, Tsai-hsiung (張才雄), aged 93, is an executive Director of the Group. He is mainly responsible for the formulation and implementation of the overall business strategy and the planning and supervision of the Group's overall operation in China. Mr CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr CHANG has more than 53 years of experience in the cement industry in both Taiwan and Mainland China. He has devoted enormous efforts in introducing advanced production techniques and highly efficient operation management to the cement industry in Taiwan and Mainland China. Under Mr CHANG's supervision, the production scale and operation efficiency of the Group's production facilities in Mainland China continue to increase. In recent years, together with the management team of the Group, Mr CHANG actively promoted the implementation of energy saving and environmental protection measures during the cement production process, while utilizing cement production facilities to solve urban waste problem. Mr CHANG joined Far Eastern Group, Asia Cement Corporation, since 1963 and later joined the Group in October 1997. During his tenure with the Company, Mr CHANG had taken various positions including engineer, deputy factory head, factory head, chief factory head, deputy general manager, general manager and officer-in-charge of factory construction and chief operation officer of the subsidiaries of Asia Cement (China) Holdings Corporation, vice chairman and the prestigious position as the advisor of the Group. Besides serving as engineer in various companies in Mainland China in his early years, Mr CHANG was also hired as engineer, factory head of maintenance plant and division head of ship machinery by Keelung Harbour Bureau and Hualien Harbour Bureau in Taiwan.

Dr. WU, Chung-lih (吳中立), aged 67, is an executive Director, the chief executive officer, the chief administrative officer and the compliance officer of the Group. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, including the previous duty of general administrative affairs. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Ms. WU, Ling-ling (吳玲綾), aged 51, has served as an executive Director and the Chief Financial Officer of the Company since April 2016. Ms. WU is also the chief financial officer and executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and its affiliate, Far Eastern Group of Taiwan ("FEG"). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of **China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015. Ms. Wu has also been the Chief of Staff of the Company since September 2014. From June 2001 to July 2007, Ms. WU served as Vice President of Internal Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People's Republic of China as well as abroad.

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Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. In addition, with her experience in public and private companies in United States, Hong Kong and Taiwan, Ms. WU also has in-depth experience and knowledge of corporate governance and best practices.

Ms. WU is a certified public accountant registered in the United States and Taiwan. She received a Master of Business Administration degree having majored in Accounting from the California State University, Los Angeles in 1993 and a Master of Business Administration degree from National Chengchi University in Taipei, Taiwan in 2008.

Mr. CHANG, Chen-kuen (張振崑), aged 70, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 48 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 73, is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 70, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Mr. LEE, Kao-chao (李高朝), aged 79, has served as an independent non-executive Director of the Company since April 2015. Mr. LEE completed his M.A. from Agricultural Economics Graduate School of Taiwan University in 1960. In 1973, Mr. LEE went to Vanderbilt University, Tennessee, USA, for his second M.A. in Economic Development, before returning to his position as the Director of Economic Research Department in Council for Economic Planning and Development ("CEPD"), Executive Yuan, Taiwan. Later on, Mr. LEE was promoted as Vice Chairman, or Deputy Minister of CEPD, which position he had stayed for eight years and he was responsible for coordination of economic policies. Mr. LEE has been a director of the board of Taipei City Bank, now privatized Taipei-Fubon Bank, for eight years, and a director of the board of Chang Hwa Bank for three years, well contributing his knowledge on economic and financial development at home and abroad. Mr. LEE has long been the ad joint professor in Taiwan University, teaching Inter-industry relationship, or Input-output Study, which area he has well practicing the interactions of industries. He had been teaching managerial economics in the Business School of Yuan Ze University after retiring from government sector. Mr. LEE served as an independent director of Asia Cement Corporations from June 2005 to June 2014.

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Mr. WANG Wei (王偉), aged 60, has served as an independent non-executive Director of the Company since April 2015. Mr. WANG was the vice president of **China National Materials Company Limited ("Sinoma") and retired in 2016. Mr. WANG served as a director and the president of Sinoma International Engineering Co., Ltd from December 2001 to December 2009 and as the chairman of the board of Sinoma International Engineering Co., Ltd from December 2009 to September 2014. Mr. WANG served as the supervisor of Sinoma from July 2007 to March 2010 and was appointed as the vice president of Sinoma in March 2010. Mr. WANG joined the Sinoma group in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. WANG served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. WANG has extensive knowledge of the industry. Before he retired, he also served as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products, an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies, the China director of the BRICS Business Council, the vice president of China Building Materials Federation and the vice president of China Cement Association. Mr. WANG graduated from Nanjing University of Technology in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

Dr. WANG,Kuo-ming (王國明), aged 73, has served as an independent non-executive Director of the Company since October 2015. Dr. WANG graduated from the Kansas State University with a master degree and PhD degree in Industrial Engineering. Following graduation, he returned to Taiwan and joined Nation Tsing Hua University, where he was an associate professor, professor, head of the department of industrial engineering, and secretary general. In 1989, Dr. WANG was appointed as the founding president of Yuan Ze University. Under his 10-year leadership from 1989 to 1999, Yuan Ze University developed into the best private university in Taiwan. Dr. WANG then returned to National Tsing Hua University and served as the dean and professor of Technology Management College from 2000 to 2003.

With regards government service, Dr. WANG served as chief consultant to the Minster of Education from 1986 to 1988. He also had one year of experience with the central government of Taiwan as director of the Control Department and the Managing Information Systems Division of Research and Development, Control and Evaluation Commission. Being the first PhD in industrial engineering in Taiwan, Dr. WANG was the founding convenor of the Industrial Engineering Division of the National Science Council. He was also the first recipient of the Industrial Engineering Medal awarded by the Chinese Institute of Industrial Engineers.

In 2004, Dr. WANG was elected president of Nan Kai University of Technology. During his 6-year tenure there, Dr. WANG devoted himself in gerontechnology and service management and built Nan Kai University of Technology into the first university in Taiwan focusing on this area. He also found the Chinese Society of Gerontechnology and Service Management in 2009, and served as the president of the society for four years. Dr. WANG is currently the University Emeritus Professor of Yuan Ze University and he keeps leading the promotion and development in gerontechnology in Taiwan.

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SENIOR MANAGEMENT

Mr. LIN, Rong-chou (林榮洲), aged 71, is the chief audit officer of the Group. Mr. LIN, is primarily responsible for internal audit function for the Group. Mr. Lin graduated from TamKang University in Taiwan majoring in professional corporate management. Mr. Lin joined Asia Cement in November 1971 and joined the Group in September 2006.

Mr. WU, Chien-hua (吳建華), aged 61, is the associate of the finance department and the manager of the accounting of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LEE, Shaw-shan (李紹先), aged 62, is the manager of the technical and production department of the Group. Mr. LEE is primarily responsible for the production quality control and technology and research and development of the Group. Mr. LEE has over 30 years of experience of engineering in the cement industry. Mr. LEE graduated from the Tamkang University in Taiwan with a bachelor degree in chemistry engineering in 1977 and from the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. CHANG, Chien-mao (張建懋), aged 54, is the manager of human resources department and secretarial department of the Group. Mr. CHANG is primarily responsible for human resources function of the Group and daily administrative operation. Mr. CHANG graduated from the Chung Hsing University in Taiwan majoring in public administration. Mr. CHANG has over 30 years of experience of business administration and human resources management in various industry. Mr. CHANG joined the Group in February 2012.

COMPANY SECRETARY

Ms. HO Siu Pik (何小碧) who has been appointed as the company secretary with effect from 22 March 2017, is a director of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is a Chartered Secretary and a Fellow member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Ho is a holder of the Practitioner's Endorsement from HKICS.

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DIRECTORS' REPORT

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 118 to 121 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year under review.

BUSINESS REVIEW

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended 31 December 2016, and the likely future development in the Group's business can be found in the sections headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 12 to 21 of the annual report. Details about the Group's financial risk management are set out in Note 4 to the consolidated financial statements. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

The Directors recommended the payment of a final dividend of RMB3 cents per ordinary share, totaling RMB47,006,000 in respect of the year to shareholders on the register of members on 8 June 2017. The proposed final dividend for the year ended 31 December 2016 has been approved at the Company's Board meeting on 22 March 2017. Details of the dividends for the year ended 31 December 2016 are set forth in note 15 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 May 2017.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Thursday, 8 June 2017 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2017.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in note 43 to the consolidated financial statements and in the consolidated statement of changes in equity on page 54 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,618.2 million. The amount of approximately RMB2,618.2 million includes the Company's share premium account of approximately RMB3,431.8 million and accumulated losses of approximately RMB813.6 million in aggregate as at 31 December 2016, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB1.6 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 35 and 38 to the financial consolidated statements, respectively and in the section headed "Director's Report – Share Option Schemes" in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year under review are set out below:

- Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2015 and 2016.
- Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2015 and 2016.
- To the best knowledge of the Directors, at no time during the year under review did any Director, their close associates (as defined in the Listing Rules) or any shareholder of the Company that owned more than 5% of the Company's issued shares, had direct or indirect interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2016 are set out in Note 40 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions as defined under the Listing Rules.

DIRECTORS

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

Executive Directors

Mr. HSU, Shu-ping *(Vice Chairman)*
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih *(Chief Executive Officer)*
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. Wu, Ling-ling (appointed on 14 April 2016)
Madam CHIANG SHAO, Ruey-huey (resigned on 14 April 2016)

Non-executive Director

Mr. HSU, Shu-tong *(Chairman)*

Independent Non-executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming

In accordance with the Articles, one third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Also, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the Directors eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company in due course.

Mr. HSU, Shu-tong, Chairman and non-executive Director and Mr. HSU, Shu-ping, Vice Chairman and executive Director, are brothers.

Saved as disclosed above, none of the directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 30 to 34 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

There are no changes to the Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2016 are set out in note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the financial year ended 31 December 2016.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2016 or at any time during the financial year ended 31 December 2016.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 30 June 2014, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2014, and Ms. Wu, Ling-ling has entered into a service contract with the Company on 14 April 2016, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director, for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives	Total interests	
Mr. Hsu, Shu-ping	200,000	–	200,000	0.01%
Mr. Chang, Tsai-hsiung	1,422,000	–	1,422,000	0.09%
Dr. Wu, Chung-lih	481,500	–	481,500	0.03%
Mr. Hsu, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. Chang, Chen-kuen	430,000	–	430,000	0.03%
Mr. Lin, Seng-chang	400,000	–	400,000	0.03%
Ms. Wu, Ling-ling	20,000	–	20,000	0.001%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Hsu, Shu-ping	Asia Cement Corporation ("Asia Cement")	11,454,981	–	–	11,454,981	0.34%
Mr. Chang, Tsai-hsiung	Asia Cement	459,350	110,877	–	570,227	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Mr. Hsu, Shu-tong	Asia Cement	23,278,334	8,124,332	–	31,402,666	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial	4,000	–	–	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	24,387	5,358	–	29,745	0.0009%
Mr. Lin, Seng-chang	Asia Cement	16,892	476	–	17,368	0.0005%
Dr. Wang, Kuo-ming	Asia Cement	–	1,841	–	1,841	0.00005%

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2016 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, 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 SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%
Invesco Hong Kong Limited	Investment Manager	94,939,500	6.06%

Note:

1. *Asia Cement beneficially owns approximately 67.73% interest of the Company. Asia Cement Singapore holds approximately 4.07% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.07% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 0.71% interest of the Company under the SFO.*

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

The terms of the Share Option Scheme approved and adopted by the Company on 27 April 2008 (the "Share Option Scheme") are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing equivalent to 150,000,000 shares of the Company, which is 9.57% of the issued share capital of the Company as at the date of this annual report.

The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12-month period must not exceed 1% of the shares in issue as at the date of grant.

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Share Option Scheme will expire on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2016, or as at the date of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is determined by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2016.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES

The Group is committed to promoting awareness and decisions that contribute to achieving environmentally sustainable development. We will comply fully with all applicable environmental laws and regulations. We will use fuel, water and other natural resources efficiently and conservatively. We recognise this to be a continuous process of improvement and we seek to actively look for environmental friendly options and carry out environmental friendly practices whenever appropriate and possible.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the reporting period, our staffs continuously pursue training and career development through our training system.

Customers' feedback and advice could be taking into account via customer communication channel.

The Group uses suppliers that reflect its values and commitment. The Group has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards.

NON-COMPETITION UNDERTAKING

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified during the year. Besides, the independent non-executive Directors have conducted an annual review on the compliance of the Deed of Non-Competition (as defined in the Prospectus) which was amended by an amendment deed entered into between Asia Cement Corporation ("Asia Cement"), Far Eastern New Century Corporation ("Far Eastern") and the Company on 24 June 2014, and approved by the independent shareholders of the Company on 6 August 2014 (the "Amended Deed").

In determining whether each of Asia Cement and Far Eastern had fully complied with the non-competition undertakings during the year ended 31 December 2016 for the annual review, the Company noted that (a) each of Asia Cement and Far Eastern declared that they had fully complied with the terms of the Amended Deed at 31 December 2016, (b) no new competing business was reported by each of Asia Cement and Far Eastern as at 31 December 2016; and (c) the independent non-executive Directors had reviewed the compliance of non-competition undertakings by each of Asia Cement and Far Eastern as the part of the annual review process.

In view of the above, the Company confirmed that all of the non-competition undertakings in the Amended Deed have been complied with by each of Asia Cement and Far Eastern for the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2016.

LONG TERM RECEIVABLES

Details of long term receivables from the Wuhan City Government are set out in note 32 to the consolidated financial statements.

Receivable from the Wuhan City Government

During 2016, RMB1.5 million had been repaid by Wuhan City Government, this amount was related to the repayment of receivable that Asia Cement has provided an indemnity in respect of its loss. All these advance was fully repaid by 2016.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTION

Jiangxi Yadong Cement Co.,Ltd. ("Jiangxi Yadong"), a subsidiary of the Company, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") and addendum with Asia Cement Corporation on 5 February 2016 and 14 April 2016 respectively, pursuant to which Jiangxi Yadong agreed to sell and Asia Cement Corporation agreed to buy ordinary Portland cement in bulk. The Sale and Purchase Agreement was for a term commencing from 5 February 2016 to 31 December 2016.

Pursuant to the Sale and Purchase Agreement and addendum, Jiangxi Yadong agreed to supply to Asia Cement Corporation up to the maximum quantity of 920,000 metric tonnes of cement for the period from 5 February 2016 to 31 December 2016. The unit selling price was based on the actual transaction unit price per metric tonnes which was equivalent to the Buyer's selling price to its customers after deducting US$0.5 to US$1 (representing the Buyer's operating charge) but in any event within the range of US$35 to US$45 metric ton (after deduction of the Buyer's operating charge), for loading at the Taizhou Port, Jiangsu Province, the People's Republic of China.

Asia Cement Corporation holds approximately 73% of the entire issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. Asia Cement Corporation is principally engaged in the production and sales of cement, concrete and related products through self-built of production line and diversified investment.

For the year ended 31 December 2016, the transaction amount under the Sales and Purchase Agreement was US$7,705,587, where the relevant annual cap was US$41,400,000.

The independent non-executive Directors, who are not interested in any connected transaction with the Group, have reviewed the continuing connected transaction as set out above and confirmed that the transaction has been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transaction of the Group. The auditor of the Company has reported the factual findings on these procedures to the Board.

The Board has received a letter from the auditor of the Company stating that the continuing connected transaction:

(i) has received the approval of the Company's Board;

(ii) has been, in all material respects, in accordance with the pricing policies of the Group;

(iii) has been entered into in accordance with relevant agreements governing the continuing connected transaction; and

(iv) has not exceeded its maximum aggregate annual value set out above for the financial year ended 31 December 2016.

In respect of the continuing connected transaction, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, at least 25% of the Company's total issued share capital was held by the public, as at the date of this annual report.

AUDITOR

The Company has appointed Messrs. Deloitte Touche Tohmatsu as the auditor of the Company for the year under review. Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
HSU Shu-tong
Chairman

22 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
ASIA CEMENT (CHINA) HOLDINGS CORPORATION
亞洲水泥(中國)控股公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 123, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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") 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"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, 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 matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant judgements made by management in determining whether objective evidence of impairment exists and the related estimation uncertainty in the measurement of impairment loss. At 31 December 2016, the Group had trade receivables with aggregate carrying amount of RMB1,103,451,000, net of the allowance for doubtful debt of RMB127,283,000, the carrying amount of trade receivables included an aggregate carrying amount of overdue balance amounting to RMB447,062,000 for which the Group had not provided for impairment loss as set out in note 26 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, in determining the recoverability of trade receivables, the management considers the creditability of its customers taking into account the past default experience, settlement records, subsequent settlements, aging analysis of the trade receivables and the value of collaterals over certain of the overdue trade receivables.	Our procedures in relation to the impairment assessment of trade receivables included: • Understanding the process with respect to impairment assessment by the management; • Testing the accuracy of aging analysis of the trade receivables, on a sample basis, to the source documents including invoices; • Assessing the appropriateness of allowance by considering aging analysis, subsequent cash receipts, past payment practices and value of collaterals held by the Group; and • Evaluating the existence and value of collaterals by examining the collateral documents and externally available information.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and significant judgement and estimate involved in determination of the recoverable amounts of cash generating units to which goodwill has been allocated. As disclosed in notes 4 and 21 to the consolidated financial statements, the carrying amount of goodwill was RMB693,000,000 as at 31 December 2016, which have been allocated to two cash generating units engaged in the cement business in the People's Republic of China. The management performed an impairment assessment of these cash generating units and determined the recoverable amounts based on value in use calculating using discounted cash flow model. The management has made a number of key assumptions in the value in use calculations. The key assumptions include growth rates and the forecast performance in respect of budgeted sales and budgeted costs based on management's view of future business prospects.	Our procedures in relation to the impairment assessment of goodwill included: • Challenging the key assumptions used, including specifically the operating cash flow projections and growth rates based on our knowledge of the cement industry and as well as historical performance of the Group; • Engaging our internal valuation expert to assess the discount rates used in the impairment assessment model by benchmarking against independent data; • Testing a selection of data inputs underpinning the cash flow forecast against appropriate supporting evidence, such as approved budgets, to assess the accuracy and reliability; and • Assessing the sensitivity analysis prepared by management on the significant assumptions to evaluate the extent of impact on the recoverable amounts of the cash generating units.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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. 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 the independent auditor's report is Mr. Tsang, Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	7	**6,338,152**	6,391,165
Cost of sales		**(5,088,000)**	(5,434,903)
Gross profit		**1,250,152**	956,262
Other income	9	**90,981**	128,548
Other gains and losses	10	**(104,614)**	(419,610)
Distribution and selling expenses		**(431,594)**	(415,318)
Administrative expenses		**(254,828)**	(322,460)
Finance costs	11	**(222,424)**	(177,673)
Share of profits of joint ventures		**2,539**	1,518
Share of profit of an associate		**110**	1,398
Profit (loss) before tax		**330,322**	(247,335)
Income tax expense	12	**(179,364)**	(45,375)
Profit (loss) for the year	13	**150,958**	(292,710)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on a hedging instruments in cash flow hedges		**–**	2,876
Total comprehensive income (loss) for the year		**150,958**	(289,834)
Profit (loss) for the year attributable to:			
Owners of the Company		**133,562**	(299,123)
Non-controlling interests		**17,396**	6,413
		150,958	(292,710)
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company		**133,562**	(296,247)
Non-controlling interests		**17,396**	6,413
		150,958	(289,834)
		RMB	RMB
Earnings (loss) per share	16		
Basic (RMB cents per share)		**0.085**	(0.191)
Diluted (RMB cents per share)		**0.085**	(0.191)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**10,079,179**	10,879,534
Quarry	18	**250,322**	256,476
Prepaid lease payments	19	**735,033**	640,879
Investment properties	20	**20,370**	20,950
Goodwill	21	**693,000**	693,000
Other intangible assets	22	**4,431**	4,638
Interest in joint ventures	23	**63,725**	74,345
Interest in an associate	24	**17,021**	17,711
Restricted bank deposits	28	**29,758**	29,106
Deferred tax assets	31	**68,979**	72,531
Long term prepaid rental	33	**24,283**	29,057
		11,986,101	12,718,227
CURRENT ASSETS			
Inventories	25	**767,818**	740,781
Long term receivables – due within one year	32	**25,953**	27,953
Trade and other receivables	26	**2,039,576**	2,510,213
Prepaid lease payments	19	**23,279**	20,150
Loans to related companies	27	**476,683**	456,935
Amount due from an associate	27	**3,752**	7,247
Amount due from a joint venture	27	**40,465**	36,058
Restricted bank deposits	28	**5,108**	4,366
Bank balances and cash	28	**533,420**	1,105,250
		3,916,054	4,908,953
CURRENT LIABILITIES			
Trade and other payables	29	**969,138**	1,041,963
Amount due to a joint venture	27	**13,479**	18,160
Amount due to ultimate holding company	27	**–**	828
Tax payables		**48,015**	10,847
Borrowings – due within one year	30	**1,928,934**	3,379,212
		2,959,566	4,451,010
NET CURRENT ASSETS		**956,488**	457,943
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,942,589**	13,176,170

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*30*	**3,262,563**	3,565,860
Deferred tax liability	*31*	**22,327**	21,170
Provision for environmental restoration	*34*	**22,551**	18,214
		3,307,441	3,605,244
NET ASSETS		**9,635,148**	9,570,926
CAPITAL AND RESERVES			
Share capital	*35*	**140,390**	140,390
Reserves		**9,214,171**	9,158,952
Equity attributable to owners of the Company		**9,354,561**	9,299,342
Non-controlling interests		**280,587**	271,584
TOTAL EQUITY		**9,635,148**	9,570,926

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 22 March 2017 and are signed on its behalf by:

HSU, SHU-PING
DIRECTOR

WU, LING-LING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserve RMB'000 *(note c)*	Hedging reserve RMB'000 *(note d)*	Distributable reserves RMB'000 *(note e)*	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015	140,390	1,162,503	286,038	1,635,906	(2,876)	6,608,656	9,830,617	274,517	10,105,134
(Loss) profit for the year	–	–	–	–	–	(299,123)	(299,123)	6,413	(292,710)
Other comprehensive income for the year	–	–	–	–	2,876	–	2,876	–	2,876
Total comprehensive (loss) income for the year	–	–	–	–	2,876	(299,123)	(296,247)	6,413	(289,834)
Appropriation	–	188,566	–	–	–	(188,566)	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(235,028)	(235,028)	–	(235,028)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(9,346)	(9,346)
Balance at 31 December 2015	140,390	1,351,069	286,038	1,635,906	–	5,885,939	9,299,342	271,584	9,570,926
Profit and total comprehensive income for the year	–	–	–	–	–	133,562	133,562	17,396	150,958
Appropriation	–	58,858	–	–	–	(58,858)	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(78,343)	(78,343)	–	(78,343)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(8,393)	(8,393)
Balance at 31 December 2016	140,390	1,409,927	286,038	1,635,906	–	5,882,300	9,354,561	280,587	9,635,148

Notes:

a. *In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.*

All appropriations to the funds are made at the discretion of the subsidiaries' board of directors. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary subject to approval from the relevant PRC authorities.

The above reserve funds are not available for dividend distributions to the shareholders of the subsidiaries.

b. *Other reserves as at 31 December 2016 and 2015 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.*

c. *Special reserve as at 31 December 2016 and 2015 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.*

d. *The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2014 of US$35,000,000 was entered into to hedge against cash flow interest rate risk in relation to a bank loan. The USD interest rate swap was matured in 2015.*

e. *The amount includes share premium and retained earnings of the Group.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**330,322**	(247,335)
Adjustments for:		
Depreciation and amortisation	**876,353**	899,602
Finance costs	**222,424**	177,673
Fair value change on investment properties	**580**	5,050
Allowance for doubtful debts, net	**14,277**	41,877
Provision for environmental restoration	**4,337**	5,002
Loss on disposal/write off of property, plant and equipment	**1,453**	3,171
Impairment loss on property, plant and equipment	**21,605**	–
Loss on disposal of intangible assets	**–**	4
Impairment loss on investment in a joint venture	**11,703**	861
Interest income on bank deposits	**(14,698)**	(41,620)
Share of profits of joint ventures	**(2,539)**	(1,518)
Share of profit of an associate	**(110)**	(1,398)
Operating cash flows increase before movements in working capital	**1,465,707**	841,369
(Increase) decrease in inventories	**(27,037)**	225,554
Decrease in trade and other receivables	**456,360**	487,752
Decrease (increase) in amount due from an associate	**3,495**	(7,247)
Increase in amount due from a joint venture	**(4,407)**	(36,058)
Decrease in trade and other payables	**(85,392)**	(143,480)
(Decrease) increase in amount due to a joint venture	**(4,681)**	11,492
(Decrease) increase in amount due to ultimate holding company	**(828)**	828
Cash generated from operations	**1,803,217**	1,380,210
Income taxes paid	**(137,487)**	(130,836)
NET CASH FROM OPERATING ACTIVITIES	**1,665,730**	1,249,374

	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES		
Loans to related companies	**(696,307)**	(456,935)
Purchases of land use rights	**(119,171)**	(3,342)
Purchases of property, plant and equipment	**(58,230)**	(416,313)
Payment for acquisition of quarries	**(10,374)**	(8,402)
Placement of restricted bank deposits	**(2,232)**	(1,944)
Purchases of intangible assets	**(1,199)**	(1,186)
Repayment from related companies	**676,559**	437,000
Interest received on bank deposits	**14,698**	41,620
Proceeds on disposal of property, plant and equipment	**13,244**	5,624
Repayment of long term receivables from local governments in the PRC	**6,774**	17,807
Dividends received from a joint venture	**1,456**	1,925
Withdrawal of restricted bank deposits	**838**	12,659
Dividends received from an associate	**800**	800
NET CASH USED IN INVESTING ACTIVITIES	**(173,144)**	(370,687)
FINANCING ACTIVITIES		
Repayments of borrowings	**(8,031,859)**	(8,311,861)
Interest paid	**(224,105)**	(180,032)
Dividends paid	**(78,343)**	(235,028)
Dividends paid to non-controlling interests	**(8,393)**	(9,346)
New borrowings raised	**6,278,284**	6,638,246
NET CASH USED IN FINANCING ACTIVITIES	**(2,064,416)**	(2,098,021)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(571,830)**	(1,219,334)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,105,250**	2,324,584
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**533,420**	1,105,250

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group") are principally engaged in the manufacture and sale of cement, concrete and related products.

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

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

Application of new and amendments to IFRSs

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

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

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

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfer of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

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

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

New and amendments to IFRSs issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 are described as follows:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have financial impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on receivables) based on exported credit loss model and financial liabilities. Currently, the directors of the Company is in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

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

New and amendments to IFRSs issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

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

The Directors of the Company has performed a review of the existing contractual arrangement with its customers and the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the revenue recognition of its sales activities and the financial statement.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

New and amendments to IFRSs issued but not yet effective (continued)

IFRS 16 Leases (continued)

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB690,400,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company do not expect the application of the new and amendments to IFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements or future financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other member of Group.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share – based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date, and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of the financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described as below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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 the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Transportation fee income is recognised when the services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Quarry

Quarry represents the expenditures incurred by the Group on the (i) acquisition of rights to explore mines and (ii) fulfilment of those specific conditions attached to such rights such as overburden removing, geological conditions improvement and geological exploration. The quarry is stated at cost less amortisation and any recognised impairment loss. The cost of quarry is amortised on a straight-line basis over the shorter of the estimated useful life or the period of the excavation permit of the quarry.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment loss of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above).

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

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

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

Government grants

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. subsequent to initial recognition, loans and receivables (including trade and other receivables, long term receivables-due within one year, amount due from an associate, amount due from a joint venture, loans to related companies, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 180 days for cement customers and 180 to 365 days for concrete customers, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amount due to ultimate holding company and amount due to a joint venture) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Hedge accounting

The Group designates a derivative as a hedging instrument for interest rate exposure on USD denominated floating rate bank borrowings (cash flow hedge).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the quarry has been excavated. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Such provision is measured based on the present value of future cash outflows expected to be incurred to settle the obligation (where the effect is material). The limestone excavated from the quarry is used for the production of cements. Thus, the related cost for environmental restoration is recognised as cost of sales.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2016, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Impairment assessment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The management considers the creditability of its customers taking into accounts the past default experience, settlement records, subsequent settlements, aging analysis of the trade receivables and the value of collaterals over certain of the overdue trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables is RMB1,103,451,000 (2015: RMB1,189,020,000) (net of allowance for doubtful debts of RMB127,283,000 (2015: RMB139,676,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill is RMB693,000,000 (2015: RMB693,000,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 21.

Fair value of investment properties and fair value measurements and valuation processes

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 20. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions.

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs.

Changes to these assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 20.

Useful lives and impairment assessment of property, plant, and equipment

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2016, the carrying value of property, plant and equipment of the Group is approximately RMB10,079,179,000, net of impairment of 21,605,000 (2015: RMB10,879,534,000, net of impairment of nil).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 30, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,005,308**	3,964,980
Financial liabilities		
Amortised cost	**5,902,544**	7,775,308

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables – due within one year, trade and other receivables, trade and other payables, amounts due from an associate and a joint venture, amounts due to a joint venture and ultimate holding company, loans to related companies, borrowings, restricted bank deposits and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group is exposed to the concentration of credit risk in relation to loans to related companies (note 27e) and long term receivables from certain PRC local governments (note 32). The Group will monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover the overdue balances.

The credit risk on restricted cash and bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

Market risks

The Group's activities expose it primarily to interest rate risk and foreign currency risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 32) and restricted bank deposits (note 28).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 28) and variable-rate borrowings (note 30).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Interest Rate ("Benchmark Rate") or Hong Kong Interbank Offered Rate ("HIBOR") ((2015: London Interbank Offered Rate ("LIBOR") and Benchmark Rate) of The People's Bank of China arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analysis for 2016 and 2015 has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances deposited in reputable banks in PRC. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis-point (2015: 100 basis-point) and a 30 basis-point (2015: 30 basis-point) increase or decrease are used for the analysis of the Group's exposures to the interest rates on its variable-rate borrowings and variable-rate bank balances respectively. These represent management's assessment of the possible change in interest rates.

Borrowings

If interest rates had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB48,196,000 (2015: post tax loss for the year would increase/decrease by RMB65,415,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk (continued)

Bank balances

If interest rates had been 30 basis points (2015: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2016 would increase/decrease by approximately RMB940,000 (2015: post tax loss for the year would decrease/increase by RMB1,567,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

There has been no significant change to the Group's exposure to interest rate risks or manner in which it manages and measures.

(ii) Currency risk

Certain bank deposits (note 28) and bank borrowings (note 30) of the Group are denominated in USD, Hong Kong dollars ("HKD") and Singapore dollars ("SGD"), being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

The Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates.

A positive (negative) (2015: (negative) positive) number indicates an increase (decrease) in profit (2015: (decrease) increase in loss) where RMB strengthens 10% against USD, HKD and SGD. For a 10% weakening of RMB against USD, HKD and SGD, there would be an equal and opposite impact on the profit (2015: loss).

	Impact of USD		Impact of HKD		Impact of SGD	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Increase (decrease) in profit (2015: (decrease) increase in loss)	**1,033**	(454,672)	**32**	135	**101**	104

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. The weighted average interest rate for the variable-rate borrowings has been calculated using the interest rates prevailing at the end of each reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2016 RMB'000
2016							
Trade and other payables	–	697,564	–	–	–	697,564	697,564
Amount due to a joint venture	–	13,479	–	–	–	13,479	13,479
Variable interest rate borrowings	7.74	160,713	1,821,396	3,781,476	–	5,763,585	5,191,497
		871,756	1,821,396	3,781,476	–	6,474,628	5,902,540

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2015 RMB'000
2015							
Trade and other payables	–	811,248	–	–	–	811,248	811,248
Amount due to a joint venture	–	18,160	–	–	–	18,160	18,160
Amount due to ultimate holding company		828	–	–	–	828	828
Variable interest rate borrowings	2.54%	781,743	2,666,094	1,205,530	2,561,288	7,214,655	6,945,072
		1,611,979	2,666,094	1,205,530	2,561,288	8,044,891	7,775,308

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

c. Fair value

The Directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Sales of cement products and related products	**5,936,860**	5,880,746
Sales of concrete	**401,292**	510,419
	6,338,152	6,391,165

8. SEGMENT INFORMATION

Internal reports that are regularly reviewed by the chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and the assessment of segment performance focus on the revenue and operating results of the cement business and the concrete business, respectively. They are considered as the operating and reportable segments of the Group under IFRS 8. Information relating to assets and liabilities in each segment is not included in the internal reports regularly reviewed by CODM.

The cement business segment and the concrete business segment both includes a number of operations in various cities within PRC each of which is considered as a separate operating segment of the CODM. For financial statements presentation purpose, these individual operating segments have been aggregated into the cement business segment or the concrete business segment by taking into account the following factors:

- these operating segments have similar long-term gross profit margins;
- the nature of the products and production processes are similar; and
- the methods used to distribute the products to the customers are the same.

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2016

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	5,936,860	401,292	6,338,152	–	6,338,152
Inter-segment sales	84,200	21	84,221	(84,221)	–
Total	6,021,060	410,313	6,422,373	(84,221)	6,338,152
Segment result	650,173	(3,209)	646,964	–	646,964
Unallocated income					13,421
Central administration costs, directors' salaries and other unallocated expense					(110,288)
Share of profits of joint ventures					2,539
Share of profit of an associate					110
Finance costs					(222,424)
Profit before tax					330,322

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2015

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	5,880,746	510,419	6,391,165	–	6,391,165
Inter-segment sales	86,254	–	86,254	(86,254)	–
Total	5,967,000	510,419	6,477,419	(86,254)	6,391,165
Segment result	(3,934)	(16,835)	(20,769)	–	(20,769)
Unallocated income					22,121
Central administration costs, directors' salaries and other unallocated expense					(73,930)
Share of profits of joint ventures					1,518
Share of profit of an associate					1,398
Finance costs					(177,673)
Loss before tax					(247,335)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit or loss earned by each segment without allocation of central administration costs, directors' salaries, share of profits of joint ventures and an associate and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage of profit mark-up.

8. SEGMENT INFORMATION (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2016				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(9,587)	(1,451)	(3,660)	(14,698)
Government grants	(49,587)	(25)	(442)	(50,054)
Depreciation and amortisation	844,046	22,469	9,838	876,353
Loss on disposal/write-off of property, plant and equipment	324	997	132	1,453
Impairment loss of property, plant and equipment	21,605	–	–	21,605
Allowance for (reversal of allowance for) doubtful debts, net	7,603	6,741	(67)	14,277
Exchange loss, net	24,066	–	30,061	54,127
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	196,685	2,771	3,778	203,234

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2015				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(35,021)	(569)	(6,030)	(41,620)
Government grants	(55,613)	(32)	(628)	(56,273)
Depreciation and amortisation	863,907	25,103	10,592	899,602
Loss on disposal/write-off of property, plant and equipment	2,902	120	149	3,171
Allowance for doubtful debts, net	13,257	27,663	957	41,877
Exchange loss, net	197,357	–	171,290	368,647
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	391,965	14,173	9,208	415,346

Note: Non-current assets include property, plant and equipment, prepaid lease payments, quarry and other intangible assets.

Geographical Information

The Group's revenue by location of customers is principally derived from the PRC. The Group's non-current assets (property, plant and equipment, quarry, prepaid lease payments, goodwill and other intangible assets) are principally located in PRC.

Information about major customers

No customer contributed over 10% of the total sales of the Group for both years.

9. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Government grant income *(note 41)*	**50,054**	56,273
Transportation fee income	**4,654**	10,321
Sales of scrap materials	**7,297**	4,883
Interest income on bank deposits	**14,698**	41,620
Rental income, net of outgoings *(note)*	**7,025**	5,879
Others	**7,253**	9,572
	90,981	128,548

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB6,654,000 (2015: RMB5,502,000).

10. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Exchange loss, net	**(54,127)**	(368,647)
Allowance for doubtful debts, net	**(14,277)**	(41,877)
Loss on disposal/write-off of property, plant and equipment	**(1,453)**	(3,171)
Impairment loss on property, plant and equipment *(note 17)*	**(21,605)**	–
Loss from changes in fair value of investment property	**(580)**	(5,050)
Impairment loss on investment in a joint venture *(note 23)*	**(11,703)**	(861)
Loss on disposal of intangible assets	**–**	(4)
Others	**(869)**	–
	(104,614)	(419,610)

11. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interests on bank borrowings wholly repayable within five years	**224,105**	180,032
Less: Interests capitalised	**(1,681)**	(2,359)
	222,424	177,673

Borrowing costs capitalised during the year ended 31 December 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.47% (2015: 2.89%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**160,619**	77,502
Withholding tax paid	**12,780**	14,303
Underprovision in prior years	**1,256**	3,004
Deferred tax *(note 31)*	**4,709**	(49,434)
	179,364	45,375

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2015: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58, Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. ("Sichuan Yali") were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2015: 15%) in 2016.

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in Cayman Islands or any other jurisdiction.

12. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB'000	2015 RMB'000
Profit (loss) before tax	**330,322**	(247,335)
Tax at the PRC EIT rate of 25% (2015: 25%)	**82,580**	(61,834)
Tax effect of expenses not deductible for tax purposes	**68,069**	49,901
Tax effect of different tax rates of subsidiaries	**4,042**	23,712
Tax effect of share of profits of joint ventures	**(635)**	(380)
Tax effect of share of profit of an associate	**(28)**	(350)
Effect of tax concessions granted to PRC subsidiaries	**(984)**	17,087
Underprovision in prior years	**1,256**	3,004
Tax effect of tax loss not recognised	**11,773**	5,314
Utilisation of tax losses previously not recognised	**(1,849)**	–
Deferred tax on undistributed earnings of PRC subsidiaries	**2,360**	(5,382)
Withholding tax paid	**12,780**	14,303
Income tax expense for the year	**179,364**	45,375

Tax rate of 25% is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for both years.

Details of movements in deferred tax have been set out in note 31.

13. PROFIT (LOSS) FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**836,531**	852,881
– Prepaid lease payments	**21,888**	23,579
– Quarry	**16,528**	18,044
– Other intangible assets	**1,406**	5,098
	876,353	899,602
Auditors' remuneration	**4,416**	4,129
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**349,505**	370,855
Retirement benefits scheme contributions	**30,009**	30,954
Total staff costs	**379,514**	401,809
Cost of inventories recognised as expenses	**5,088,000**	5,434,903
Rental payments under operating leases	**39,460**	35,070

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2015: thirteen) directors were as follows:

Year ended 31 December 2016

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
A) Non-executive director					
Mr. Hsu, Shu-tong	240	132	–	–	372
B) Executive directors					
Mr. Hsu, Shu-ping	198	–	–	–	198
Mr. Chang, Tsai-hsiung	192	–	–	–	192
Ms. Wu Ling-ling (appointed on 14 April 2016)	282	–	–	–	282
Mr. Chang, Chen-kuen	318	843	–	–	1,161
Mr. Lin, Seng-chang	330	754	–	–	1,084
Dr. Wu, Chung-lih	330	1,198	–	–	1,528
Madam Chiang, Shao Ruey-huey (resigned as executive director on 14 April 2016)	48	–	–	–	48
C) Independent Non-executive directors					
Mr. Tsim, Tak-lung Dominic	240	–	–	–	240
Mr. Wang Wei	240	–	–	–	240
Mr. Lee Kao-chao	240	–	–	–	240
Dr. Wang Kuo-ming	240	–	–	–	240
	2,898	2,927	–	–	5,825

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Year ended 31 December 2015

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
A) Non-executive director					
Mr. Hsu, Shu-tong	258	120	–	–	378
B) Executive directors					
Mr. Hsu, Shu-ping	192	–	–	–	192
Mr. Chang, Tsai-hsiung	192	–	–	–	192
Madam Chiang, Shao Ruey-huey	204	–	–	–	204
Mr. Chang, Chen-kuen	324	898	–	–	1,222
Mr. Lin, Seng-chang	330	888	–	–	1,218
Mr. Wu, Chung-lih	330	1,268	–	–	1,598
C) Independent Non-executive directors					
Mr. Liu, Zhen-tao*	40	–	–	–	40
Mr. Tsim, Tak-lung Dominic	240	–	–	–	240
Mr. Wong, Ying-ho Kennedy	140	–	–	–	140
Mr. Wang Wei	180	–	–	–	180
Mr. Lee Kao-chao	180	–	–	–	180
Mr. Wang Kuo-ming	60	–	–	–	60
	2,670	3,174	–	–	5,844

* *He was passed away on February 2015*

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

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

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

Mr. Wu, Chung-lih is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments were included in the disclosures in note (a) above. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits	**1,993**	2,518

Their emoluments were within the following bands:

	2016	2015
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**–**	2

No emoluments were paid by the Group to the directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

15. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2015 Final, paid – RMB5 cents (2015: 2014 final dividend RMB15 cents) per share	**78,343**	235,028

A final dividend for the year ended 31 December 2016 of RMB3 cents per share (2015: RMB5 cents per share) amounting to approximately RMB47,006,000 (2015: RMB78,343,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS (LOSS) PER SHARE

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

	2016 RMB'000	2015 RMB'000
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings per share (profit (loss) for the year attributable to owners of the Company)	**133,562**	(299,123)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,566,851

No diluted earnings (loss) per share is presented as the Company did not have any dilutive shares in issue during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trucks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2015	4,114,663	11,328,412	348,256	503,387	2,046	374,213	16,670,977
Additions	10,614	91,058	14,989	12,854	–	272,901	402,416
Disposals/write-off	(1,356)	(7,967)	(3,199)	(37,780)	–	–	(50,302)
Transfer	36,140	236,213	4,609	5,394	–	(282,356)	–
Transfer to investment properties *(note)*	(26,000)	–	–	–	–	–	(26,000)
Reclassification	21,854	6,370	(793)	(26,828)	(603)	–	–
At 31 December 2015	4,155,915	11,654,086	363,862	457,027	1,443	364,758	16,997,091
Additions	10,988	2,322	7,585	4,112	–	47,483	72,490
Disposals/write-off	(88)	(12,590)	(12,394)	(60,383)	–	–	(85,455)
Transfer	62,361	338,088	2,284	716	–	(403,449)	–
At 31 December 2016	**4,229,176**	**11,981,906**	**361,337**	**401,437**	**1,443**	**8,792**	**16,984,126**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	639,621	4,132,541	261,809	271,536	676	–	5,306,183
Provided for the year	121,124	677,498	21,370	32,713	176	–	852,881
Eliminated on disposals/write-off	(385)	(4,769)	(2,759)	(33,594)	–	–	(41,507)
Reclassification	4,361	2,461	(1,362)	(5,460)	–	–	–
At 31 December 2015	764,721	4,807,731	279,058	265,195	852	–	6,117,557
Provided for the year	123,156	666,573	23,650	22,967	185	–	836,531
Eliminated on disposals/write-off	(17)	(7,974)	(11,080)	(51,675)	–	–	(70,746)
Impairment loss recognised	12,768	8,409	157	271	–	–	21,605
At 31 December 2016	**900,628**	**5,474,739**	**291,785**	**236,758**	**1,037**	**–**	**6,904,947**
CARRYING VALUES							
At 31 December 2016	**3,328,548**	**6,507,167**	**69,552**	**164,714**	**406**	**8,792**	**10,079,179**
At 31 December 2015	3,391,194	6,846,355	84,804	191,832	591	364,758	10,879,534

Note: *During the year ended 31 December 2015, the Company transferred properties with book value of RMB26,000,000 to investment properties. As at the date of transfer, the fair value of the properties was RMB20,950,000 and loss from changes in fair value of RMB5,800,000 was recognised in the profit or loss in that year.*

Buildings are located in the PRC on medium term leasehold land.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Due to technical obsolescence in respect of the Group's certain property, plant and equipment during the year, the carrying values of these property, plant and equipment were impaired and an impairment loss of RMB21,605,000 has been recognised for the year ended 31 December 2016 (2015: Nil).

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis with the following useful lives:

Buildings	Over the shorter of term of the relevant lease or 20–35 years
Plant and machinery	10–20 years
Furniture, fixtures and office equipment	5–15 years
Trucks, loaders and motor vehicles	5–15 years
Leasehold improvement	Over the shorter of term of the relevant leases or 5 years

18. QUARRY

	RMB'000
COST	
At 1 January 2015	362,812
Additions	8,402
At 31 December 2015	371,214
Additions	10,374
At 31 December 2016	**381,588**
AMORTISATION	
At 1 January 2015	96,694
Provided for the year	18,044
At 31 December 2015	114,738
Provided for the year	16,528
At 31 December 2016	**131,266**
CARRYING VALUES	
At 31 December 2016	**250,322**
At 31 December 2015	256,476

Quarry is amortised over the shorter of the estimated useful life or the period of excavation permit of the quarry.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in the PRC under medium-term leases.

Analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Non-current assets	**735,033**	640,879
Current assets	**23,279**	20,150
	758,312	661,029

Land use rights are amortised on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted to the Group for usage in the PRC.

At 31 December 2016, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB285,327,000 (2015: approximately RMB175,546,000). The Group is currently in the process of obtaining these land use right certificates.

20. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2015	–
Reclassified from property, plant and equipment	22,400
Decrease in fair value recognised in profit or loss	(1,450)
At 31 December 2015	20,950
Decrease in fair value recognised in profit or loss	(580)
At 31 December 2016	**20,370**

The investment properties are held under medium-term leases in PRC and are rented out under operating leases.

The fair value of the Group's investment properties at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Real Estate Appraiser Office ("DTZ"), an independent qualified professional valuer not connected with the Group. DTZ is a member of the Taiwan Institute of Surveyors.

The fair value was determined using direct comparison approach assuming sales of the properties in their respective existing state and by making reference to comparable sales evidences as available on the market.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

20. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison method	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB32,650 (2015: RMB33,560) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

There were no transfers into or out of Level 3 during the current year.

21. GOODWILL

	2016 RMB'000	2015 RMB'000
Balance at 31 December	**693,000**	693,000

For the purpose of impairment testing, goodwill has been allocated to individual subsidiaries, each of which constitute a cash generating unit ("CGU"). The carrying amounts of goodwill allocated to these CGUs are as follows:

	2016 RMB'000	2015 RMB'000
Wuhan Yaxin Cement Co., Ltd. (Wuhan Yaxin)	**138,759**	138,759
Sichuan Lanfeng Cement Co., Ltd. (Sichuan Lanfeng)	**554,241**	554,241
	693,000	693,000

During the current year, the Directors determine that there is no impairment of the above CGU containing goodwill.

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

The recoverable amount of these CGUs has been determined based on a value in use calculation.

21. GOODWILL (continued)

The calculation of the recoverable amount of Wuhan Yaxin uses cash flow projections based on financial budgets approved by management covering a 5-year period (2015: 5-year period) and discount rate of 10.4% per annum as at 31 December 2016 (2015: 10.81%). Cash flows beyond the 5-year ended (2015: 5-year period) are extrapolated using a steady 0% (2015: 2.6%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

The calculation of the recoverable amount of Sichuan Lanfeng uses cash flow projections based on financial budgets approved by management covering a 5-year period (2015: 5-year period) and discount rate of 10.4% per annum as at 31 December 2016 (2015: 10.79%). Cash flows beyond the 5-year period (2015: 5-year period) are extrapolated using a steady 0% (2015: 1.7%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and budgeted costs. Such estimation is based on CGU's past performance and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of CGU to exceed the recoverable amount of CGU.

22. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2015	779	19,779	12,595	33,153
Additions	–	–	1,186	1,186
Disposal	–	–	(35)	(35)
At 31 December 2015	779	19,779	13,746	34,304
Additions	–	–	1,199	1,199
At 31 December 2016	**779**	**19,779**	**14,945**	**35,503**
ACCUMULATED AMORTISATION				
At 1 January 2015	779	16,675	7,145	24,599
Provided for the year	–	2,125	2,973	5,098
Disposal	–	–	(31)	(31)
At 31 December 2015	779	18,800	10,087	29,666
Provided for the year	–	293	1,113	1,406
At 31 December 2016	**779**	**19,093**	**11,200**	**31,072**
CARRYING VALUES				
At 31 December 2016	**–**	**686**	**3,745**	**4,431**
At 31 December 2015	–	979	3,659	4,638

22. OTHER INTANGIBLE ASSETS (continued)

The above items of other intangible assets are amortised on a straight-line basis over the following period:

Backlog orders	$^1/_2$ year
Customer relationships	5 years
Software	5 years

23. INTEREST IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Cost of unlisted investment in joint ventures	**59,059**	59,059
Share of post-acquisition profits and other comprehensive income, net of dividends received	**17,230**	16,147
Accumulated impairment loss on interest in a joint venture *(note 10)*	**(12,564)**	(861)
	63,725	74,345

At 31 December 2016 and 2015, the Group had interests in the following unlisted joint ventures:

Name of joint venture	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2016	2015	2016	2015	
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**50%**	50%	**50%**	50%	Provision of transportation services
湖北鑫龍源礦業有限公司 Hubei Xinlongyuan Mining Company Limited ("Hubei Xinlongyuan")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of limestone

Summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

23. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia

	2016 RMB'000	2015 RMB'000
Current assets	27,081	35,194
Non-current assets	59,405	64,421
Current liabilities	(11,096)	(17,338)
Non-current liabilities	–	(10,000)

The above amounts of assets and liabilities include the following:

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	7,279	12,323
Current financial liabilities (excluding trade and other payables and provisions)	–	(6,620)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(10,000)
Revenue	64,185	82,465
Profit and total comprehensive income for the year	6,022	6,695
Dividends received from the joint venture during the year	1,456	1,925
The above profit for the year include the following: Depreciation and amortisation	5,027	5,505
Interest income	90	99
Interest expense	437	1,335
Income tax expense	2,236	2,461

23. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	**75,390**	72,277
Proportion of the Group's ownership interest in Wuhan Asia	**50%**	50%
Carrying amount of the Group's interest in Wuhan Asia	**37,695**	36,139

Huibei Xinlongyuan

	2016 RMB'000	2015 RMB'000
Current assets	**7,465**	16,648
Non-current assets	**50,532**	43,320
Current liabilities	**(43,000)**	(43,788)

The above amounts of assets and liabilities include the following:

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	**1,040**	3,957
Current financial liabilities (excluding trade and other payables and provisions)	**(1,713)**	(37,997)
Revenue	**6,352**	1,913
Loss and total comprehensive expense for the year	**(1,180)**	(4,573)
Dividends received from the joint venture during the year	**–**	–
The above loss for the year include the following:		
Depreciation and amortisation	**2,917**	2,704
Interest income	**–**	–
Interest expense	**479**	241
Income tax expense	**(354)**	(317)

23. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	14,997	16,180
Proportion of the Group's ownership interest in Hubei Xinlongyuan	40%	40%
Goodwill	32,595	32,595
Impairment loss	(12,564)	(861)
Carrying amount of the Group's interest in Huibei Xinlongyuan	26,030	38,206

24. INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Cost of unlisted investment in an associate	12,000	12,000
Share of post-acquisition profits and other comprehensive income	5,021	5,711
	17,021	17,711

Details of the Group's associate at the end of the reporting period are as follow:

Name of associate	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2016	2015	2016	2015	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Sino-foreign equity joint venture	PRC	Paid up registered capital	40%	40%	40%	40%	Production and sales of concrete

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

24. INTEREST IN AN ASSOCIATE (continued)

Hubei Zhongjian

	2016 RMB'000	2015 RMB'000
Current assets	**50,927**	71,346
Non-current assets	**2,786**	3,296
Current liabilities	**(11,162)**	(30,365)
Revenue	**33,436**	67,770
Profit and total comprehensive income for the year	**274**	3,494
Dividends received from associate during the year	**800**	800

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the associate	**42,551**	44,277
Proportion of the Group's ownership interest in Hubei Zhongjian	**40%**	40%
Carrying amount of the Group's interest in Hubei Zhongjian	**17,021**	17,711

25. INVENTORIES

	2016 RMB'000	2015 RMB'000
Spare parts and ancillary materials	**310,174**	350,869
Raw materials	**251,461**	207,560
Work in progress	**120,714**	99,798
Finished goods	**85,469**	82,554
	767,818	740,781

26. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**1,230,734**	1,328,696
Less: allowance for doubtful debts	**(127,283)**	(139,676)
	1,103,451	1,189,020
Bills receivable	**739,751**	1,058,108
	1,843,202	2,247,128
Other receivables	**46,967**	53,269
Less: allowance for doubtful debts	**–**	(2,332)
	46,967	50,937
	1,890,169	2,298,065
Advances to suppliers	**102,071**	152,484
Deposits	**21,713**	15,584
Prepayments	**1,687**	2,012
Value-added tax recoverable	**23,936**	42,068
	2,039,576	2,510,213

The Group has a policy of allowing a credit period of 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		Concrete		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
0–90 days	**370,863**	387,970	**121,055**	98,071	**491,918**	486,041
91–180 days	**73,681**	159,863	**80,346**	75,249	**154,027**	235,112
181–365 days	**92,425**	51,287	**98,053**	168,915	**190,478**	220,202
Over 365 days	**152,069**	140,012	**114,959**	107,653	**267,028**	247,665
	689,038	739,132	**414,413**	449,888	**1,103,451**	1,189,020

26. TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers at the end of the reporting period:

	Cements		Concrete		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
0–90 days	**592,256**	704,668	**6,734**	16,567	**598,990**	721,235
91–180 days	**106,117**	331,443	**1,900**	4,530	**108,017**	335,973
181–365 days	**32,744**	900	**–**	–	**32,744**	900
	731,117	1,037,011	**8,634**	21,097	**739,751**	1,058,108

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Approximately 61% (2015: 74%) of the trade receivables as at 31 December 2016 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality by reference to their past repayment records.

Included in the Group's trade receivables balances are debtors with the aggregate carrying amount of approximately RMB332,103,000 (2015: approximately RMB201,158,000) and RMB114,959,000 (2015: RMB107,653,000) for cement and concrete segment respectively, which have been past due as at year end for which the Group has not provided for impairment loss. The Group holds collateral over part of these receivables. No allowance has been provided for these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

An allowance has been made for estimated irrecoverable amounts arising from the sale of goods which has been determined by reference to past default experience, settlement records, subsequent settlements, aging analysis of the trade receivables and the value of collaterals over certain of the overdue trade receivables.

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

	Cements		Concrete		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
91–180 days	**5,841**	9,859	**–**	–	**5,841**	9,859
181–365 days	**152,851**	51,287	**–**	–	**152,851**	51,287
Over 365 days	**173,411**	140,012	**114,959**	107,653	**288,370**	247,665
Total	**332,103**	201,158	**114,959**	107,653	**447,062**	308,811

26. TRADE AND OTHER RECEIVABLES (continued)

Movement of the allowance for doubtful debts for trade and other receivables for the year is set out as follows:

	Other receivables		Trade receivables	
	2016 **RMB'000**	2015 RMB'000	**2016** **RMB'000**	2015 RMB'000
Balance at beginning of year	**2,332**	2,332	**139,676**	101,156
Additions	**–**	–	**33,263**	45,766
Reversal	**(775)**	–	**(18,986)**	(3,889)
Written off	**(1,557)**	–	**(26,670)**	(3,357)
	–	2,332	**127,283**	139,676

27. AMOUNTS/LOANS DUE FROM (TO) RELATED COMPANIES

(a) Amount due from an associate

	2016 **RMB'000**	2015 RMB'000
Hubei Zhongjian (trade related)	**3,752**	7,247

The amount as at 31 December 2016 and 2015 was unsecured, non-interest bearing and aged within the credit term of 90 days.

(b) Amount due from a joint venture

	2016 **RMB'000**	2015 RMB'000
Hubei Xinlongyuan		
– trade related *(note 1)*	**465**	11,058
– non-trade related *(note 2)*	**40,000**	25,000
	40,465	36,058

Note 1: The amount as at 31 December 2016 and 2015 was unsecured, non-interest bearing and aged within the credit term of 90 days.

Note 2: The amount as at 31 December 2016 and 2015 was unsecured, non-interest bearing and repayable on demand.

(c) Amount due to a joint venture

	2016 **RMB'000**	2015 RMB'000
Wuhan Asia (trade related)	**13,479**	18,160

The amount as at 31 December 2016 and 2015 was unsecured, non-interest bearing and aged within the credit term of 90 days.

27. AMOUNTS/LOANS DUE FROM (TO) RELATED COMPANIES (continued)

(d) Amount due to ultimate holding company

	2016 RMB'000	2015 RMB'000
Asia Cement Corporation (trade related)	–	828

The amount as at 31 December 2015 was unsecured, non-interest bearing and aged within the credit term of 45 days and the amount was fully settled during the year ended 31 December 2016.

(e) Loans to related companies

	2016 RMB'000	2015 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	**431,593**	414,727
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	**45,090**	42,208
	476,683	456,935

On 15 May 2014, the Company and FENC entered two new agreements and agreed to make available principal sums of US$30,000,000 and US$38,000,000 (the "Loans 1") to FENC, of which US$63,867,000 (equivalent to RMB396,633,000) have been drawn down by FENC as at 31 December 2014. FENC is a wholly-owned subsidiary of Far Eastern New Century Corporation ("FENCC") and is principally engaged in the business of investment. The Company is related to FENC as FENCC holds 28.79% equity interest in Asia Cement Corporation. According to the terms of the loan agreements, (i) the Loans 1 principal amount of US$30,000,000 and US$38,000,000 shall be repaid in full on or before 4 June 2015 and 2 June 2015 (the "Repayment Dates 1"), respectively; or (ii) FENC may repay the Loans 1 or any part of the Loans 1 at any time before the Repayment Dates 1. The interest rate is subject to be agreed between the Company and FENC. On 3 June 2015, FENC repaid the Loans 1.

On 27 May 2015, the Company and FENC entered new agreement and agreed to make available principal sums of US$38,000,000 (the "Loan 2") to FENC, of which US$34,200,000 (equivalent to RMB222,081,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreements, (i) the Loan 2 principal amount of US$38,000,000 shall be repaid in full on or before 26 May 2016 (the "Repayment Date 2"; or (ii) FENC may repay the Loan 2 or any part of the Loan 2 at any time before the Repayment Date 2. The interest rate is subject to be agreed between the Company and FENC. During the year ended 31 December 2016, FENC fully repaid the Loan 2.

On 1 June 2015, the Company and FENC entered new agreement and agreed to make available principal sums of US$30,000,000 (the "Loan 3") to FENC, of which US$29,667,000 (equivalent to RMB192,646,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreement, (i) the Loan 3 principal amount of US$30,000,000 shall be repaid in full on or before 31 May 2016 (the "Repayment Date 3"); or (ii) FENC may repay the Loan 3 or any part of the Loan 3 at any time before the Repayment Date 3. The interest rate is subject to be agreed between the Company and FENC. On 27 May 2016, FENC fully repaid the Loan 3.

27. AMOUNTS/LOANS DUE FROM (TO) RELATED COMPANIES (continued)

(e) Loans to related companies (continued)

On 25 December 2015, the Company agreed to make available an aggregate principal sum of RMB205,000,000 (the "Loan 4") to FENC, of which the whole balance have been drawn down by FENC on 1 February 2016. According to the terms of the loan agreement, (i) the Loan 4 principal amount of RMB205,000,000 shall be repaid in full on or before 31 January 2017 (the "Repayment Date 4"); or (ii) FENC may repay the Loan 4 or any part of the Loan 4 at any time before the Repayment Date 4. The interest rate is subject to be agreed between the Company and FENC.

On 29 April 2016, the Company agreed to make available an aggregate principal sum of US$3,072,895 (equivalent to RMB21,317,000) (the "Loan 5") to FENC, of which the whole balance have been drawn down by FENC on 25 May 2016. According to the terms of the loan agreement, (i) the Loan 5 principal amount of US$3,072,895 (equivalent to RMB21,317,000) shall be repaid in full on or before 24 May 2017 (the "Repayment Date 5"); or (ii) FENC may repay the Loan 5 or any part of the Loan 5 at any time before the Repayment Date 5. The interest rate is subject to be agreed between the Company and FENC. On 25 November 2016, FENC repaid the Loan 5.

On 29 April 2016, the Company agreed to make available an aggregate principal sum of US$30,000,000 (equivalent to RMB208,110,000) (the "Loan 6") to FENC, of which US$29,667,000 (equivalent to RMB205,800,000) have been drawn down by FENC on 26 May 2016. According to the terms of the loan agreement, (i) the Loan 6 principal amount of US$30,000,000 (equivalent to RMB208,110,000) shall be repaid in full on or before 25 May 2017 (the "Repayment Date 6"); or (ii) FENC may repay the Loan or any part of the Loan 6 at any time before the Repayment Date 6. The interest rate is subject to be agreed between the Company and FENC. On 25 November 2016, FENC repaid US$28,586,667 (equivalent to RMB198,307,000) of the Loan 6.

On 1 November 2016, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 7") to FENC, of which the whole balance have been drawn down by FENC on 24 November 2016. According to the terms of the loan agreement, (i) the Loan 7 principal amount of RMB219,100,000 shall be repaid in full on or before 23 November 2017 (the "Repayment Date 7"); or (ii) FENC may repay the Loan 7 or any part of the Loan 7 at any time before the Repayment Date 7. The interest rate is subject to be agreed between the Company and FENC.

Pursuant to a loan agreement, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 8") to Yuan Ding, of which US$6,500,000 (equivalent to RMB40,367,000) have been drawn down by Yuan Ding as at 31 December 2014. Yuan Ding is a wholly-owned subsidiary of FENC. According to the terms of the loan agreement, (i) the Loan 8 principal amount of US$6,500,000 shall be repaid in full on or before 4 November 2015 (the "Repayment Date 8"); or (ii) Yuan Ding may repay the Loan 8 at a time later than the Repayment Date 8, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 8 or any part of the Loan at any time before the Repayment Date 8. The interest rate is subject to be agreed between the Company and Yuan Ding. On 5 November 2015, Yuan Ding repaid the Loan 8.

27. AMOUNTS/LOANS DUE FROM (TO) RELATED COMPANIES (continued)

(e) Loans to related companies (continued)

On 2 November 2015, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 9") to Yuan Ding, of which US$6,500,000 (equivalent to RMB42,208,000) have been drawn down by Yuan Ding as at 31 December 2015. According to the terms of the loan agreement, (i) the Loan 9 principal amount of US$6,500,000 shall be repaid in full on or before 1 November 2016 (the "Repayment Date 9"); or (ii) Yuan Ding may repay the Loan 9 at a time later than the Repayment Date 9, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 9 or any part of the Loan at any time before the Repayment Date 9. The interest rate is subject to be agreed between the Company and Yuan Ding. On 27 October 2016, Yuan Ding repaid the Loan 9.

On 27 October 2016, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 10") to Yuan Ding, of which US$6,500,000 (equivalent to RMB45,090,000) have been drawn down by Yuan Ding as at 31 December 2016. According to the terms of the loan agreement, (i) the Loan 10 principal amount of US$6,500,000 shall be repaid in full on or before 26 October 2017 (the "Repayment Date 10"); or (ii) Yuan Ding may repay the Loan 10 at a time later than the Repayment Date 10, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 10 or any part of the Loan at any time before the Repayment Date 10. The interest rate is subject to be agreed between the Company and Yuan Ding.

28. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 1.35% (2015: 0.01% to 1.35%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB164,166,000 (2015: RMB483,635,000) and approximately RMB403,148,000 (2015: RMB654,587,000), respectively.

Under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which are restricted for withdrawal, as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2016, RMB29,758,000 (2015: RMB29,106,000) in its own bank account has been restricted for this purpose. No further notice for additional deposit was received from the relevant PRC authority during the year. These restricted bank deposits will be released after the Group has completed the restoration work up to the standard accepted by the Ministry of Land and Resources of the People's Republic of China. The Directors expect the restoration work to be carried out and completed after the expiry of the respective mining rights, ranging from years from 2016 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

As at 31 December 2016, the remaining deposits in its own bank account amounting to RMB5,108,000 (2015: RMB4,366,000) have been restricted by banks for withdrawal as overseas purchase security which will be released within one year and therefore are classified as current assets.

28. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

The Group's restricted bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 RMB'000	2015 RMB'000
Denominated in USD	**12,155**	58,671
Denominated in HKD	**324**	1,350
Denominated in SGD	**1,228**	1,265

29. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**450,216**	529,543
Accruals	**94,945**	90,929
Advances from customers	**126,320**	99,646
Staff wages and welfare payable	**50,818**	58,898
Value added tax payable	**50,305**	14,626
Construction cost payable	**59,201**	46,634
Other tax payable	**14,498**	25,514
Due to original holders of Sichuan Lanfeng	**–**	17,692
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	90,690
Other payables	**50,097**	67,791
	969,138	1,041,963

The following is an aging analysis of trade and bill payables presented based on the invoice dates at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0–90 days	**389,291**	449,018
91–180 days	**27,878**	47,006
181–365 days	**20,268**	10,295
Over 365 days	**12,779**	23,224
	450,216	529,543

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

30. BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank borrowings – unsecured	**5,191,497**	6,945,072

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 RMB'000	2015 RMB'000
Denominated in USD	–	4,611,244

The carrying amounts of borrowings are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**1,928,934**	3,379,212
Within a period of more than one year but not exceeding two years	**3,262,563**	1,161,184
Within a period of more than two year but not exceeding five years	–	2,404,676
	5,191,497	6,945,072
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(1,928,934)**	(3,379,212)
Amounts due for settlement after 12 months	**3,262,563**	3,565,860

The borrowings carrying variable interest rates with reference to the Benchmark Rate for RMB borrowings or the HIBOR (2015: Benchmark Rate for RMB borrowings, or the LIBOR for foreign currency borrowings) are as follows:

	2016		2015	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Variable-rate borrowings	**5,191,497**	**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.8% to 1.25%**	6,945,072	90% to 100% of Benchmark Rate or LIBOR plus margin of 0.6% to 2.6%

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 3.78% to 13.5% (2015: 1.13% to 6.00%) per annum. Interest is repriced quarterly.

31. DEFERRED TAX

The following are the major deferred tax (liabilities) assets recognised and the movement thereon during the years:

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	(19,679)	(2,791)	18,400	4,688	(7,574)	8,883	1,927
Withholding tax paid	–	–	–	–	14,303	–	14,303
Credit (charge) to profit or loss	1,343	222	8,003	34,240	(8,921)	244	35,131
At 31 December 2015	(18,336)	(2,569)	26,403	38,928	(2,192)	9,127	51,361
Withholding tax paid	–	–	–	–	12,780	–	12,780
Credit (charge) to profit or loss	843	221	3,569	(10,759)	(15,140)	3,777	(17,489)
At 31 December 2016	**(17,493)**	**(2,348)**	**29,972**	**28,169**	**(4,552)**	**12,904**	**46,652**

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted at the end of the reporting period.

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**68,979**	72,531
Deferred tax liabilities	**(22,327)**	(21,170)
	46,652	51,361

At 31 December 2016, the Group has unused tax losses of approximately RMB238,660,000 (2015: RMB242,001,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB112,676,000 (2015: RMB155,712,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB125,984,000 (2015: RMB86,289,000) due to the unpredictability of future profit stream. As at 31 December 2016, the tax losses of RMB5,710,000, RMB21,910,000, RMB37,350,000, RMB134,226,000 and RMB39,464,000 will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

31. DEFERRED TAX (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2016, deferred tax liability has been provided in respect of RMB103,355,000 (2015: RMB48,408,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associate and joint venture in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2016, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, joint ventures and associate in respect of which deferred tax liability has not been provided for were approximately RMB4,748,000,000 (2015: RMB4,335,077,000), RMB34,121,000 (2015: RMB25,885,000) and RMB10,923,000 (2015: RMB12,998,000), respectively.

32. LONG TERM RECEIVABLES

	2016 RMB'000	2015 RMB'000
Receivables from		
武漢市新洲區人民政府 (the "Wuhan City Government") *(note a)*	**8,380**	10,380
彭州市人民政府 (the "Pengzhou City Government") *(note b)*	**17,573**	17,573
	25,953	27,953
Less: Amounts due within one year	**(25,953)**	(27,953)
Amounts due after one year	**–**	–

32. LONG TERM RECEIVABLES (continued)

Notes:

a. (i) *Hubei Yadong Cement Co., Ltd ("Hubei Yadong"), a subsidiary of the Company, and the Wuhan City Government entered into various agreements. Pursuant to the first agreement entered into in March 2006, Hubei Yadong advanced funds of approximately RMB8 million to the Wuhan City Government to facilitate the transfer of a piece of land to Hubei Yadong for the construction of its plant. Hubei Yadong obtained the land use right of that piece of land in 2006. The advance is unsecured, non-interest bearing and repayable in four equal annual instalments commencing 31 December 2011.*

During the current year, no cash or cash equivalent was received (2015: RMB2 million). As at 31 December 2016, the outstanding balance is RMB2 million (2015: RMB2 million). Subsequent to the end of reporting period, the amount was fully settled.

(ii) *In August 2007, in order to ensure that Hubei Yadong would have a reliable local source of electricity, Hubei Yadong entered into second agreement with the Wuhan City Government. Pursuant to the agreement, Hubei Yadong advanced additional funds of approximately RMB20 million to the Wuhan City Government. The advance is unsecured, non-interest bearing and repayable through refund of 50% of certain taxes to be paid to the Wuhan City Government by cash based on the contractual agreement.*

During the current year, no cash or cash equivalent was received (2015: RMB2 million). As at 31 December 2016, the outstanding balance is approximately RMB4.4 million (2015: RMB4.4 million). Subsequent to the end of reporting period, the amount was fully settled.

Upon completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the advances to the Wuhan City Government, which cannot be recovered by Hubei Yadong in accordance with the expected time as per above. As at 31 December 2016, the indemnity in respect of the above advances undertaken by Asia Cement is approximately RMB1.5 million (2015: RMB1.5 million).

(iii) *In May 2012, Hubei Yadong entered into another agreement with the Wuhan City Government. Pursuant to the agreement, Hubei Yadong advanced funds of RMB8 million to the Wuhan City Government, who is solely liable to compensate the citizens for re-location in the surrounding area of the construction land of Hubei Yadong's plant. The advance is unsecured, non-interesting bearing and repayable in four equal annual instalments commencing 31 December 2012 based on the contractual agreement.*

During the current year, RMB2 million was received in cash (2015: nil). As at 31 December 2016, the outstanding balance is RMB2 million (2015: RMB4 million). Subsequent to the end of reporting period, the amount was fully settled.

b. (i) *In April 2007, Sichuan Yadong entered into an agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced funds of RMB10 million to the Pengzhou City Government to facilitate the transfer of a piece of land to Sichuan Yadong for the construction of its plant. Sichuan Yadong obtained the land use right of that piece of land in 2007.*

In October 2010, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced additional funds of RMB10 million to the Pengzhou City Government, who is solely liable to compensate the citizens for re-location in the surrounding area of the construction land of Sichuan Yadong's plant.

The above advances are unsecured, non-interest bearing and repayable based on the contractual payment plan signed in 2010, which was then superseded by another payment plan negotiated and signed in December 2012 ("2012 Contractual Payment Plan"), with the Pengzhou City Government. Pursuant to the 2012 Contractual Payment Plan, the Pengzhou City Government encountered problems for compensating the citizens for re-location, Sichuan Yadong advanced additional non-interest bearing funds of RMB25 millions to the Pengzhou City Government during the year ended 31 December 2013. According to the 2012 Contractual Payment Plan, RMB17 million will be repaid by the Pengzhou City ernment for the year ended 31 December 2016.

During the current year, no cash or cash equivalent was received (2015: RMB13 million). As at 31 December 2016, the outstanding balance is RMB17 million (2015: RMB17 million). Subsequent to the end of reporting period, the amount was fully settled.

(ii) *In March 2004, Oriental Industrial Holdings Pte., Ltd. ("Oriental"), a subsidiary of the Company and the Pengzhou City Government entered into an agreement, in which Oriental agreed to advance funds to the Pengzhou City Government for construction of certain electricity supply facilities in Sichuan. The advance was eventually made by Sichuan Yadong, a subsidiary of Oriental. Pursuant to the 2012 Contractual Payment Plan, the remaining will be repaid before 30 April 2015.*

During the current year, no cash or cash equivalent was received. As at 31 December 2016, the outstanding balance is RMB0.57 million (2015: RMB0.57 million).

33. LONG TERM PREPAID RENTAL

	2016 RMB'000	2015 RMB'000
Prepaid rental to		
Yangzhou No. 2 Power Plant Company Limited (the " Yangzhou No. 2 Power Plant") *(note a)*	**3,382**	6,156
Taizhou Yongan Port Co., Ltd. *(note b)*	**26,000**	28,000
	29,382	34,156
Less: Amounts due within one year (included in trade and other receivables)	**(5,099)**	(5,099)
Amounts due after one year	**24,283**	29,057

Notes:

a. *In June 2010, in order to secure the exclusive use of the extended port in Yangzhou, Jiangsu province of the PRC, Yangzhou Yadong Cement Co. Ltd. ("Yangzhou Yadong"), a subsidiary of the Company, has entered into an agreement with a port lessor (an independent third party) namely Yangzhou No. 2 Power Plant, pursuant to which Yangzhou Yadong prepaid RMB20 million to facilitate the construction of an extended port during the year 2010. According to the agreement, Yangzhou No.2 Power Plant will repay the amount through the deduction of rental expenses incurred by Yangzhou Yadong in its port. The lease for the port was negotiated for a term of 20 years. The minimum annual rental charged by Yangzhou No. 2 Power Plant is RMB1.5 million each year starting from 2011 to the end of the lease, representing minimum annual usage of 500,000 tons, charged at a rate of RMB3 per ton. Usage in excess of the minimum level will be charged at a rate of RMB2 per ton.*

During the current year, RMB2.8 million (2015: RMB3.0 million) has been utilised through offsetting the rental expenses and the outstanding prepaid balance as at 31 December 2016 is RMB3.4 million (2015: RMB6.2 million).

b. *In 2013, in order to secure the exclusive use of the extended port in Taizhou, Jiangsu province of the PRC, Oriental Holding Co., Ltd. ("Oriental Holding"), a subsidiary of the Company, has entered into an agreement with a port lessor (an independent third party) namely Taizhou Yongan Port Co., Ltd., pursuant to which Oriental Holding agreed to prepay RMB30 million for the exclusive use of the port. During the year ended 31 December 2014, RMB13 million has been paid by Oriental Holding to Taizhou Yongan Port Co., Ltd. According to the agreement, Taizhou Yongan Port Co. Ltd will repay the amount through the deduction of rental expenses of RMB2 million each year incurred by Oriental Holding (or its designated associate) in its port. The lease for the port was negotiated for a term of 20 years and will be unconditionally renewed for another 20 years.*

As at 31 December 2016, the outstanding prepaid balance is RMB26 million (2015: RMB28 million).

34. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
Balance at 1 January 2015	13,212
Provision for the year	5,002
Balance at 1 January 2016	18,214
Provision for the year	4,337
Balance at 31 December 2016	**22,551**

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. After taking into account the quantity of limestone excavated and the timing of environment restoration in between 2018 to 2047, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Addition in provision is recognised as cost of sales of the related limestone excavated and sold.

35. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	1,566,851,000	156,685	140,390

36. OPERATING LEASES

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**36,078**	29,971
Contingent rents paid/payable under operating leases during the year *(note)*	**3,382**	3,099
	39,460	33,070

Note: Contingent rents are charged base on the Group's actual usage of the port and trucks during the current year. These leases are under operating leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**22,861**	24,955
In the second to fifth years inclusive	**83,162**	79,644
After five years	**584,377**	592,308
	690,400	696,907

Operating lease payments represent rental payable by the Group for certain of its port facilities, office premises and motor vehicles to certain customers. Leases are negotiated for terms ranging from 1 to 20 years. There are no operating lease commitments for motor vehicles and the rentals are based on actual usage.

The Group as lessor

Gross rental income earned was RMB13,679,000 and RMB11,381,000 for the years ended 31 December 2016 and 2015, respectively. The Group leases its plant, property and machinery under operating lease arrangements. The properties are expected to generate rental yields of based on the cost on an ongoing basis.

At the end of the reporting period, the Group had contracted with lessee for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**4,633**	6,946
In the second to fifth year inclusive	**–**	4,633
	4,633	11,579

37. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**23,433**	78,759
Land use rights	**1,877**	12,827
Mining rights	**1,066**	1,108
Capital expenditure in respect of establishment of a joint venture *(note)*	**500,000**	500,000
	526,376	592,694

Note:

On 14 August 2013, the Company, the immediate holding company of FENC ("FEPHL") and another company (collectively the "Parties") entered into an investment agreement, whereby the Parties agreed to invest in a company (the "Joint Venture Company") for the purpose of developing a plot of land in Pudong, Shanghai, the PRC (the "Development Project"). The Company shall contribute the investment amounts of RMB500 million, representing 40% equity interest in the Joint Venture Company, upon (i) the Joint Venture Company having procured a construction permit in respect of the Development Project, (ii) Asia Cement Corporation having procured a permit from Taiwan Investment Commission regarding the capital contributions to the Joint Venture Company; and (iii) the construction progress of the Development Project attains 25%.

38. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

Pursuant to a written resolution of all the shareholders on 13 December 2007, a share option scheme ("Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company.

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,549,000). For the years ended 31 December 2016 and 2015, no options remained outstanding under Pre-IPO Share Option Scheme.

(b) Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 27 April 2008 (the "Share Option Scheme"), the Directors may invite management and employees to take up options at a price determined by the Board of Directors but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date.

As at 31 December 2016 and 2015, no options have been granted under the Share Option Scheme.

39. RETIREMENT BENEFITS SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense charged to profit or loss of approximately RMB30,009,000 (2015: approximately RMB30,954,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2016, contributions of RMB1,250,000 (2015: RMB1,057,000) as at 31 December 2016 have not been paid over to the schemes.

40. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in note 27, the Group had also entered into the following significant transactions with related parties during the year.

	2016 **RMB'000**	2015 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**63,774**	82,934
Hubei Xinlongyuan		
– Sales of materials	**303**	–
Associate:		
Hubei Zhongjian		
– Sales of goods	**4,275**	9,304
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	**43,210**	56,072

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2016 **RMB'000**	2015 RMB'000
Short-term employee benefits	**5,825**	5,844
Retirement benefits scheme contributions	**–**	–
	5,825	5,844

The remuneration of directors and chief executives is determined by having regard to the performance of individuals and market trends.

41. GOVERNMENT GRANT INCOME

	2016 RMB'000	2015 RMB'000
Incentive subsidies *(note a)*	**3,363**	14,842
Value-added tax refund *(note b)*	**42,478**	36,117
Others *(note c)*	**4,213**	5,314
	50,054	56,273

Notes:

a. *Incentive subsidies were granted by the relevant PRC authorities to certain PRC subsidiaries of the Group for being the top ten taxpayers and the amount was based on 20% of Enterprise Income Tax paid. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval is obtained from the relevant PRC authorities.*

b. *certain PRC subsidiaries of the Group received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted quarterly when the total reusable materials consumed were more than 20% or 30% of the total materials consumed for production. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval is obtained from the relevant PRC authority.*

c. *The amount includes certain incentives to attract foreign investment from the relevant PRC tax authorities in the form of profits tax refunds.*

42. SUBSIDIARIES

(a) General Information of subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2016	Proportion of ownership interest held by the Company 2015	Proportion of voting power held by the company 2016	Proportion of voting power held by the company 2015	Principal activities
*Perfect Industrial Holdings Pte., Ltd.	British Virgin Islands	Ordinary	US$9,379,303	**100%**	100%	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$764,262,651	**99.99%**	99.99%	**100%**	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	**99.99%**	99.99%	**100%**	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$356,104,433	**94.99%**	94.99%	**92%**	92%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

42. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2016	2015	Proportion of voting power held by the company 2016	2015	Principal activities
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$36,140,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd.[1]	PRC	Ordinary	RMB12,500,000	97.39%	97.39%	100%	100%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd.[1]	PRC	Ordinary	RMB21,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$130,407,000	99.99%	99.99%	100%	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	94.99%	94.99%	100%	100%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	72.49%	72.49%	75%	75%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.	PRC	Ordinary	US$154,800,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$368,340,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$4,100,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products

42. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2016	2015	2016	2015	
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	US$86,170,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd.[2]	PRC	Ordinary	RMB13,000,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd.[2]	PRC	Ordinary	US$3,500,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$35,530,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3]	PRC	Ordinary	RMB90,000,000	**89.99%**	89.99%	**83%**	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co., Ltd.[2]	PRC	Ordinary	USD16,000,000	**99.99%**	99.99%	**100%**	100%	Sale and storage of cement product

42. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2016	2015	Proportion of voting power held by the company 2016	2015	Principal activities
四川蘭豐水泥有限公司 Sichuan Lanfeng Cement Co., Ltd.[2]	PRC	Ordinary	RMB600,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川蘭豐建材有限公司 Sichuan Lanfeng Construction Material Co., Ltd.[2]	PRC	Ordinary	RMB20,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

1 *These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.*

2 *These companies were established in the PRC in the form of wholly foreign-owned enterprise.*

3 *This company was established in the PRC in the form of foreign-invested enterprise.*

* *This company is directly held by Asia Cement (China) Holdings Corporation and the remaining subsidiaries are held by this company.*

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

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

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

Name of subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests 2016	2015	Proportion of voting right held by non-controlling interests 2016	2015	Profit allocated to non-controlling interests 2016 RMB'000	2015 RMB'000	Accumulated non-controlling interests 2016 RMB'000	2015 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	**5.01%**	5.01%	**8%**	8%	**15,115**	2,761	**208,114**	195,452
Individually immaterial subsidiaries with non-controlling interests						**2,281**	3,652	**72,473**	76,132
						17,396	6,413	**280,587**	271,584

Note:

Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

42. SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Jiangxi Ya Dong Cement Corporation Ltd.

	2016 RMB'000	2015 RMB'000
Current assets	1,601,207	1,414,041
Non-current assets	3,814,662	4,063,920
Current liabilities	(1,239,858)	(1,553,084)
Non-current liabilities	(13,731)	(15,839)
Equity attributable to owners of the Company	3,953,750	3,713,195
Non-controlling interests	208,530	195,843
Revenue	2,654,022	2,562,078
Expenses	(2,352,323)	(2,506,972)
Profit for the year	301,699	55,106
Profit attributable to owners of the Company	286,584	52,345
Profit attributable to the non-controlling interests	15,115	2,761
Dividends paid to non-controlling interests	2,428	6,478
Net cash inflow from operating activities	699,280	633,317
Net cash (outflow) inflow from investing activities	(490,557)	326,481
Net cash outflow from financing activities	(369,703)	(986,196)
Net cash outflow	(160,980)	(26,397)

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 RMB'000	2015 RMB'000
Unlisted investments in subsidiaries	7,731,182	7,731,182
Amounts due from subsidiaries	616,977	1,928,261
Bank balances	673	52,773
Other receivables	1,061	357
Total assets	8,349,893	9,712,573
Borrowings	3,508,061	4,878,180
Other payables	9,878	11,318
Total liabilities	3,517,939	4,889,498
Net assets	4,831,954	4,823,075
Share capital *(note 35)*	140,390	140,390
Reserves *(note)*	4,691,564	4,682,685
Total equity	4,831,954	4,823,075

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Distributable reserves RMB'000 *(note a)*	Other reserves RMB'000	Hedging reserve RMB'000	Total RMB'000
At 1 January 2015	2,891,525	2,073,316	(2,876)	4,961,965
Loss for the year	(47,128)	–	–	(47,128)
Other comprehensive income for the year	–	–	2,876	2,876
Total comprehensive income for the year	(47,128)	–	2,876	(44,252)
Dividends recognised as distribution *(note 15)*	(235,028)	–	–	(235,028)
At 31 December 2015	2,609,369	2,073,316	–	4,682,685
Profits for the year and total comprehensive income for the year	87,222	–	–	87,222
Dividends recognised as distribution *(note 15)*	(78,343)	–	–	(78,343)
At 31 December 2016	**2,618,248**	**2,073,316**	**–**	**4,691,564**

Note a: The amount includes share premium and accumulated losses of the Company.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue	6,684,149	7,330,818	8,193,716	6,391,165	**6,338,152**
Profit/(loss) before tax	508,927	1,109,024	1,091,108	(247,335)	**330,322**
Income tax expense	(102,321)	(262,720)	(278,128)	(45,375)	**(179,364)**
Profit (loss) for the year	406,606	846,304	812,980	(292,710)	**150,958**
Attributable to:					
Owners of the Company	395,123	823,010	790,313	(299,123)	**133,562**
Non-controlling interests	11,483	23,294	22,667	6,413	**17,396**
	406,606	846,304	812,980	(292,710)	**150,958**

ASSETS AND LIABILITIES

	At 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Total assets	15,648,964	17,361,715	20,022,989	17,627,180	**15,902,155**
Total liabilities	6,765,284	7,883,892	9,917,855	8,056,254	**6,267,007**
	8,883,680	9,477,823	10,105,134	9,570,926	**9,635,148**
Equity attributable to:					
Owners of the Company	8,601,209	9,235,349	9,830,617	9,299,342	**9,354,561**
Non-controlling interests	282,471	242,474	274,517	271,584	**280,587**
	8,883,680	9,477,823	10,105,134	9,570,926	**9,635,148**