# Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

2017 ANNUAL REPORT

# Important

1. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statement or material omission.

2. All Directors of the Company attended the fifth meeting of the seventh session of the Board.

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

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

5. As considered by the fifth meeting of the seventh session of the Board of the Company, the annual profit distribution proposal for 2017 is: a cash dividend of RMB1.2 per share (tax inclusive). No capitalization of common reserve fund was made.

6. Declaration of risks with respect to the forward-looking statements: the Company's plans for 2018 concerning its capital expenditure, production capacity and net sales growth as disclosed herein do not constitute any substantive commitment to investors. Investors and the public are advised to be cautious of any investment risks.

7. There was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder of the Company and its related parties.

8. There was no external guarantee in violation of the established decision-making procedures.

9. Material risk alert: risks related to the policies, fluctuation of energy price and environmental protection regulation that the Company may be exposed to in 2018 have been disclosed in the Chapter 5 herein. Investors are reminded to read it carefully.

# Contents





# 1. Definitions

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

| | | |
|---|---|---|
| The Company/Conch Cement | : | Anhui Conch Cement Company Limited |
| The Group | : | the Company and its subsidiaries |
| Board | : | the Board of Directors of the Company |
| Director(s) | : | the Director(s) of the Company |
| Supervisory Committee | : | the supervisory committee of the Company |
| Supervisor(s) | : | the supervisor(s) of the Company |
| Baimashan Cement Plant | : | Baimashan Cement Plant of Anhui Conch Cement Company Limited |
| Chaohu Conch | : | Chaohu Conch Cement Co., Ltd. |
| Chizhou Conch | : | Anhui Chizhou Conch Cement Co., Ltd. |
| Conch Holdings | : | Anhui Conch Holdings Co., Ltd. |
| Conch Profiles and Science | : | Wuhu Conch Profiles and Science Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000619) |
| Conch Investment Company | : | Anhui Conch Investment Co., Ltd. |
| Conch Venture | : | Anhui Conch Venture Investment Co., Ltd. |
| Conch Venture Property | : | Wuhu Conch Venture Property Co., Ltd. |
| CCVH | : | China Conch Venture Holdings Limited |
| Conch Property | : | Wuhu Conch Property Management Co., Ltd. |



## 1. Definitions

| | | |
|---|---|---|
| Liukuangruian | : | Guizhou Liukuangruian Cement Co., Ltd. |
| Ningguo Cement Plant | : | Ningguo Cement Plant of Anhui Conch Cement Company Limited |
| Shaanxi Phoenix Building Materials | : | Shaanxi Tongchuan Phoenix Building Materials Co., Ltd. |
| Tongling Conch | : | Anhui Tongling Conch Cement Co., Ltd. |
| Xiangshan Cement | : | Huaibei Mining Xiangshan Cement Co., Ltd. |
| Prosperity Conch | : | Prosperity Conch Cement Co., Ltd. |
| Shaoyang Yeafing | : | Shaoyang Yeafing New Energy Co., Ltd. |
| Zongyang Conch | : | Anhui Zongyang Conch Cement Co., Ltd. |
| Zunyi Haihui New Materials | : | Zunyi Haihui New Materials Co., Ltd. |
| North Sulawesi Conch | : | PT Conch North Sulawesi Cement |
| Volga Conch | : | Conch Cement Volga Co., Ltd |
| Luangprabang Conch | : | Luangprabang Conch Cement Co., Ltd |
| Myanmar Conch | : | Myanmar Conch Cement Co., Ltd |
| Battambang Conch | : | Battambang Conch Cement Co., Ltd |
| Kalimantan Conch | : | PT Conch South Kalimantan Cement |
| Indonesia Conch | : | PT Conch Cement Indonesia |

## 1. Definitions

| | | |
|---|---|---|
| Qingsong Building Materials and Chemicals | : | Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600425), the stock name of which was changed to "*ST Qingsong" after the imposition of delisting risk warning on 11 April 2017 |
| Jidong Cement | : | Tangshan Jidong Cement Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000401) |
| Xinli Finance | : | Anhui Xinli Finance Co., Ltd. (formerly known as "Anhui Chaodong Cement Co., Ltd.", which is shortly referred to as "Chaodong Cement"), a company listed on Shanghai Stock Exchange (stock code: 600318) |
| WCC | : | West China Cement Limited, a company listed on Hong Kong Stock Exchange (stock code: 02233) |
| Regional Committee(s) | : | Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organising certain subsidiaries located in a particular province or neighboring areas into a regional management unit |
| Remuneration and Nomination Committee | : | Remuneration and nomination committee of the Board |
| Audit Committee | : | Audit committee of the Board |
| Reporting Period | : | The period from 1 January 2017 to 31 December 2017 |
| PRC Accounting Standards | : | China Accounting Standards for Business Enterprises |
| Stock Exchange | : | The Stock Exchange of Hong Kong Limited |



# 1. Definitions

| | | |
|---|---|---|
| HKSE Listing Rules | : | The Rules Governing the Listing of Securities on the Stock Exchange |
| SFO | : | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Model Code | : | Model Code for Securities Transactions by Directors of Listed Issuers |
| SSE | : | Shanghai Stock Exchange |
| SSE Listing Rules | : | The Rules Governing the Listing of Stocks on the SSE |
| SZSE | : | Shenzhen Stock Exchange |
| A Shares | : | ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB |
| H Shares | : | foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars |
| Clinker | : | semi-finished products made in the manufacturing process of cement |
| Hong Kong | : | Hong Kong Special Administrative Region of the PRC |
| RMB | : | Renminbi, the lawful currency of the PRC |
| PRC | : | The People's Republic of China |
| CSRC | : | China Securities Regulatory Commission |
| Articles | : | Articles of Association of the Company |

# 2. Corporate Profile and Major Financial Indicators

| | | | |
|---|---|---|---|
| (1) | Official Chinese name of the Company | : | 安徽海螺水泥股份有限公司 |
| | Abbreviation in Chinese | : | 海螺水泥 |
| | Official English name of the Company | : | ANHUI CONCH CEMENT COMPANY LIMITED |
| | Abbreviation in English | : | CONCH CEMENT |
| (2) | Legal Representative of the Company | : | Gao Dengbang |
| (3) | Secretary to the Board (Company Secretary) | : | Zhou Bo |
| | Phone number | : | 0086 553 8398976 |
| | Fax number | : | 0086 553 8398931 |
| | Company secretary (Hong Kong) | : | Leo P. Y. Chiu |
| | Phone number | : | 00852 21113220 |
| | Fax number | : | 00852 21113299 |
| | Securities Affairs Representative | : | Liao Dan |
| | Phone number | : | 0086 553 8398911 |
| | Fax number | : | 0086 553 8398931 |
| | E-mail | : | dms@chinaconch.com |
| (4) | Registered address of the Company | : | 39 Wenhua Road, Wuhu City, Anhui Province, the PRC |
| | Office address of the Company | : | 39 Wenhua Road, Wuhu City, Anhui Province, the PRC |
| | Postal code | : | 241000 |
| | Email address of the Company | : | cement@chinaconch.com |
| | Website of the Company | : | http://www.conch.cn |
| | Contact address in Hong Kong | : | 40/F Jardine House, 1 Connaught Place, Central, Hong Kong |
| (5) | Company's designated newspaper for information disclosure in the PRC | : | Shanghai Securities Journal, Securities Times |
| | Website for publication of this report | : | http://www.sse.com.cn |
| | Location where this annual report is available for inspection | : | Secretariat to the Board of the Company, Shanghai Stock Exchange |



## 2. Corporate Profile and Major Financial Indicators

| | | | |
|---|---|---|---|
| (6) | Exchange on which the Company's shares are listed: | | |
| | H Shares | : | Stock Exchange |
| | Stock code | : | 00914 |
| | A Shares | : | SSE |
| | Stock code | : | 600585 |
| | Stock name | : | Conch Cement |
| (7) | Legal adviser as to PRC law | : | Jingtian & Gongcheng<br>34th Floor, Tower 3,<br>China Central Place,<br>77 Jianguo Road, Chaoyang District,<br>Beijing, the PRC |
| | Legal adviser as to Hong Kong law | : | Chiu & Partners<br>40th Floor, Jardine House,<br>1 Connaught Place, Central,<br>Hong Kong |
| (8) | International auditors | : | KPMG<br>8th Floor, Prince's Building,<br>10 Chater Road, Central,<br>Hong Kong |
| | Authorised signatory of the Accountant | : | Frankie C.Y. Lai |
| | PRC auditors | : | KPMG Huazhen LLP<br>8th Floor, Tower E2,<br>Oriental Plaza, 1 East Chang An Avenue,<br>Beijing, the PRC |
| | Authorised signatory of the Accountant | : | Xu Min, Pan Feng |
| (9) | H Shares share registrar and transfer office | : | Hong Kong Registrars Limited<br>17/F, Hopewell Centre,<br>183 Queen's Road East, Wanchai,<br>Hong Kong |

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

(Unit: RMB'000)

| Items | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net revenue | **75,310,820** | 55,931,901 | 50,976,036 | 60,758,501 | 55,261,677 |
| Net profit attributable to equity shareholders of the Company | **15,898,689** | 8,573,868 | 7,538,700 | 10,980,917 | 9,389,298 |
| Total assets | **122,142,585** | 109,514,121 | 105,781,392 | 102,253,097 | 93,094,480 |
| Total liabilities | **30,453,291** | 29,536,289 | 32,236,883 | 33,026,013 | 34,692,721 |

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

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

Table 1:

(Unit: RMB'000)

| Items | 2017 | 2016 | Year-on-year change (%) between 2017 and 2016 | 2015 |
|---|---|---|---|---|
| Revenue | **75,310,820** | 55,931,901 | 34.65 | 50,976,036 |
| Profit before taxation | **21,228,756** | 11,653,206 | 82.17 | 10,039,397 |
| Net profit attributable to equity shareholders of the Company | **15,854,670** | 8,529,917 | 85.87 | 7,516,385 |
| Net profit after extraordinary items attributable to equity shareholders of the Company | **14,077,866** | 7,680,938 | 83.28 | 5,301,375 |
| Basic earnings per share (RMB/share) | **2.99** | 1.61 | 85.87 | 1.42 |
| Diluted earnings per share (RMB/share) | **2.99** | 1.61 | 85.87 | 1.42 |
| Basic earnings per share after extraordinary items (RMB/share) | **2.66** | 1.45 | 83.28 | 1.00 |



## 2. Corporate Profile and Major Financial Indicators

| Items | **2017** | 2016 | Year-on-year change (%) between 2017 and 2016 | 2015 |
|---|---|---|---|---|
| Diluted return on net assets (%) | **17.73** | 11.13 | Increased by 6.60 percentage points | 10.66 |
| Weighted average return on net assets (%) | **19.12** | 11.59 | Increased by 7.53 percentage points | 11.03 |
| Diluted return on net assets after extraordinary items (%) | **15.75** | 10.03 | Increased by 5.72 percentage points | 7.52 |
| Weighted average return on net assets after extraordinary items (%) | **16.97** | 10.44 | Increased by 6.53 percentage points | 7.78 |
| Net cash flow generated from operating activities | **17,363,027** | 13,196,752 | 31.57 | 9,908,174 |
| Net cash flow per share generated from operating activities (RMB/share) | **3.28** | 2.49 | 31.57 | 1.87 |

Table 2:

(Unit: RMB'000)

| Items | **As at 31 December 2017** | As at 31 December 2016 | Year-on-year change (%) between 2017 and 2016 | As at 31 December 2015 |
|---|---|---|---|---|
| Total assets | **122,142,585** | 109,514,121 | 11.53 | 105,781,392 |
| Equity attributable to equity shareholders of the Company | **89,406,295** | 76,608,921 | 16.70 | 70,491,888 |
| Net assets per share attributable to equity shareholders of the Company (RMB/share) | **16.87** | 14.46 | 16.70 | 13.30 |

## 2. Major financial data for 2017 listed by quarters

(Unit: RMB'000)

| Items | In the first quarter | In the second quarter | In the third quarter | In the fourth quarter |
|---|---|---|---|---|
| Revenue | 13,638,977 | 18,268,939 | 18,130,710 | 25,272,194 |
| Net profit attributable to equity shareholders of the Company | 2,153,218 | 4,563,505 | 3,091,930 | 6,046,017 |
| Net profit after extraordinary items attributable to equity shareholders of the Company | 1,554,340 | 3,569,093 | 3,018,664 | 5,935,769 |
| Net cash flow generated from operating activities | 2,198,943 | 2,848,100 | 3,762,287 | 8,553,697 |

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

(Unit: RMB'000)

| Extraordinary items | **2017** | 2016 | 2015 |
|---|---|---|---|
| (1) Gain/(Loss) on disposal of non-current assets | **344,344** | 100,696 | 1,221,775 |
| (2) Government subsidy | **426,103** | 564,948 | 1,014,097 |
| (3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and financial assets available for sale | **1,559,100** | 498,453 | 732,284 |
| (4) Entrusted fee income obtained from entrusted operation | **699** | – | 8,266 |
| (5) Charges on share of funds received from non-financial enterprises included in the current income statement | **2,647** | 2,412 | 15,648 |
| (6) Gains or losses from external entrusted loans | **1,701** | – | – |
| (7) Gains arising from the excess of the Group's share of the fair values of the subsidiaries' identifiable net assets over the investment costs for acquisition of the subsidiaries | **491** | – | – |
| (8) Gains on entrusted investment or asset management | **44,910** | – | – |

## 2. Corporate Profile and Major Financial Indicators

| Extraordinary items | 2017 | 2016 | 2015 |
|---|---|---|---|
| (9) Other non-operating income and expenses other than the above items | **3,720** | -28,378 | –25,647 |
| (10) Effect of extraordinary items on income tax | **-589,958** | –278,028 | –727,453 |
| (11) Effect of extraordinary items on minority interests | **-16,953** | -11,124 | -23,960 |
| **Total** | **1,776,804** | 848,979 | 2,215,010 |

### 4. Items at fair value

(Unit: RMB'000)

| Items | Opening balance of the Reporting Period | Closing balance of the Reporting Period | Changes during the Reporting Period | Impact on the profit for the current period |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | – | 2,307 | 2,307 | 2,307 |
| Available-for-sale financial assets | 2,935,177 | 461,409 | -2,473,768 | 1,556,793 |
| Financial liabilities at fair value through profit or loss | – | – | – | – |

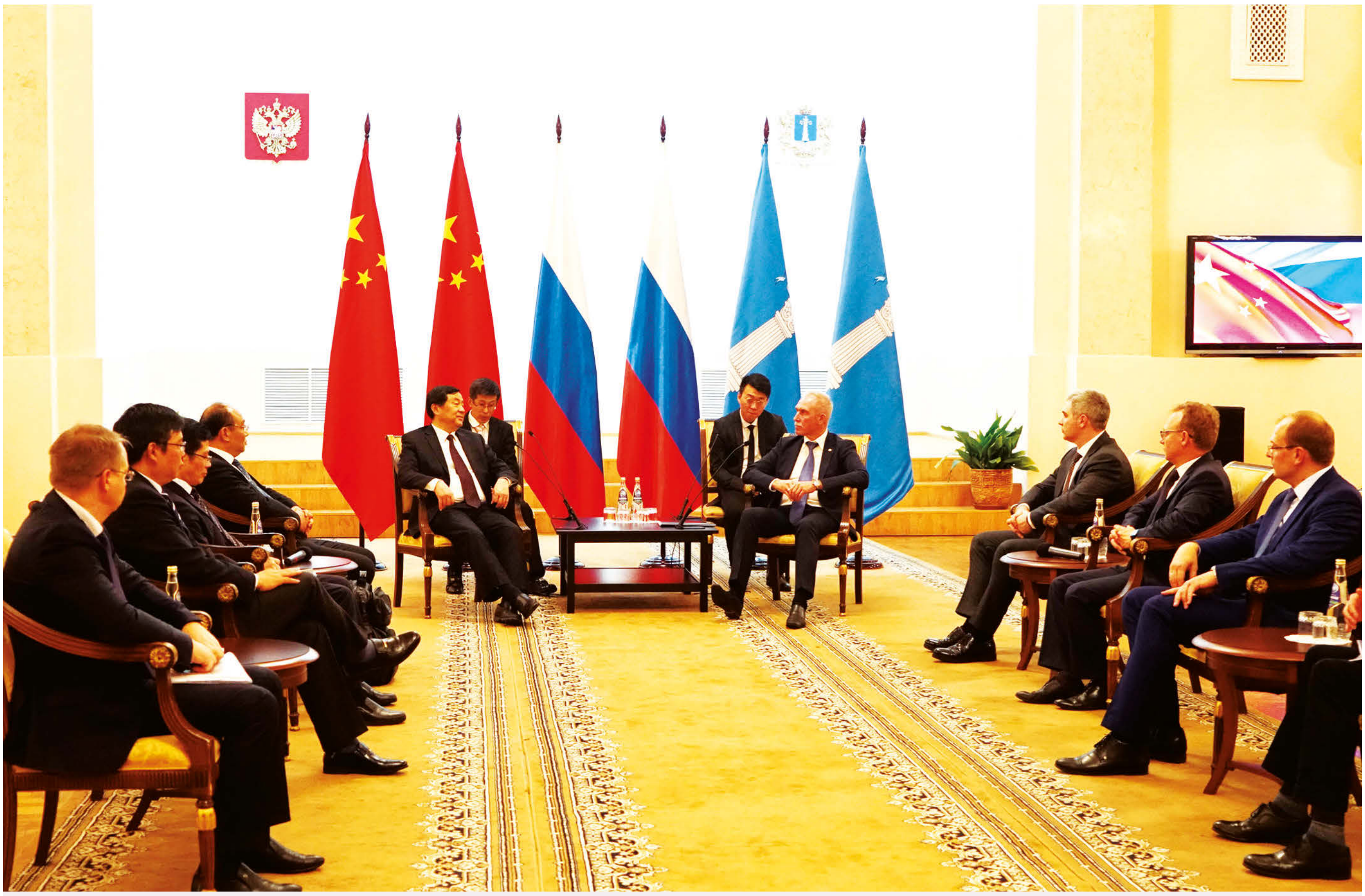


## 2. Corporate Profile and Major Financial Indicators

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

(Unit: RMB'000)

| | **Net profit attributable to parent company** | | **Equity attributable to equity shareholders of parent company** | |
|---|---|---|---|---|
| | **1 January to 31 December 2017 (Audited)** | 1 January to 31 December 2016 (Audited) | **31 December 2017 (Audited)** | 31 December 2016 (Audited) |
| As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards | **15,854,670** | 8,529,917 | **89,406,295** | 76,608,921 |
| – Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs | **44,019** | 43,951 | **-256,348** | –300,367 |
| As reported in accordance with IFRSs | **15,898,689** | 8,573,868 | **89,149,947** | 76,308,554 |



A team led by Gao Dengbang, Chairman of the Company, visited and investigated Russia market, accelerating the construction of the project of Volga Conch.

Projects of North Sulawesi Conch of Indonesia to be commenced operation

Projects of the Battambang Conch of Cambodia to be commenced operation


Successful acquisition of the project of Shaanxi Phoenix Building Materials


Commercial concrete project in Zunyi completed and put into operation

Project in West Papua Indonesia



# 3. Business Overview of the Company

## (1) OVERVIEW OF THE CEMENT INDUSTRY

In 2017, the cement industry remained stable in general and initiatives including the supply-side structural reform continued to have positive effect. Certain cement enterprises that failed to meet the requirements for environmental protection facilities or discharge standards were required to suspend production for rectification under the overall environmental protection inspections implemented by the PRC government, which improved environment and alleviated the contradiction between supply and demand in the market. Under the leadership of the government and industry association, every effort was made to promote off-peak season production, expanding from certain regions to over 20 provinces, cities and autonomous regions across the country, which progressively reduced product supply. In addition, the major enterprises continued to push forward the merger and consolidation of the industry to further increase market concentration and improve the supply-and-demand condition in the industry.

In 2017, the fixed asset investments in China showed a slow but stable growth, while the growth in infrastructure investments maintained at a high level. Property investments saw an increase in growth rate as compared to the same period of the previous year, with a relatively stable demand in the cement market. The PRC's cement production volume decreased by 0.2% compared to the previous year to approximately 2.32 billion tonnes. Benefitting from the positive impact of the supply-side structural reform of the industry, product price recorded significant increase as compared with that of the same period of the previous year, significantly enhancing the profitability of the industry. (Source: Digital Cement)

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

During the Reporting Period, the Group was principally engaged in production and sale of cement, commodity clinker and aggregate. The Group produced and sold cement products according to market demands, which mainly included 42.5-grade cement, 32.5-grade cement and 52.5-grade cement, widely used in the construction of domestic infrastructures including large-scale engineering projects such as railways, expressways, airports and hydraulic power as well as urban property, cement products and the rural markets.

As part of the basic raw material industry, cement is a regional product as its sales radium is subject to transportation and local cement price, resulting in a sales model different from that of the consumer staples. The Group has adopted a sales model with its focus on direct sales and supplemented by distribution, and has established over 500 marketing departments in the marketplaces where the Company operates across the PRC and overseas, building up an extensive marketing network. Meanwhile, the Group continued to improve its "T-type" development strategy by proactively accelerating the construction or lease of the transfer storages and other landing stages in the middle and lower reaches of Yangtze River and along the coast, so as to further improve the market planning and strengthen the control of the market.

## 3. Business Overview of the Company

During the Reporting Period, the Group continued to optimise its domestic market planning and steadily promote its development strategy of internationalization. Meanwhile, the Group proactively explored into the upstream and downstream industrial chain, rigorously promoted the aggregate business and entered the commodity concrete industry.

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

During the Reporting Period, the Group reduced its shareholding in the shares of some other listed companies, resulting in a decrease of 84.28% and 15.82% respectively in the available-for-sale financial assets and long-term equity investments as compared to that at the beginning of the year. The construction of oversea projects was accelerated and the amount of the construction-in-progress increased by 55.43% as compared to that at the beginning of the year. Due to the increase in product prices and operating revenue, the currency funds, receivable notes and receivable accounts were increased by 58.86%, 70.90% and 61.87% respectively as compared with the beginning of the year. Save as disclosed above, there was no material change in the fixed assets, intangible assets and other primary assets of the Group.

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

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

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

# 4. Report of the Directors



## (1) INVESTMENTS DURING THE REPORTING PERIOD

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

(1) In February 2017, the Company and Myanmar MYINT Investment Group ("MYINT") jointly invested in and established Myanmar Conch Cement (Mandalay) Co., Ltd., with a registered capital of US$45 million. The Company and MYINT contributed US$24.75 million and US$20.25 million respectively, representing 55% and 45% of the registered capital of Myanmar Conch Cement (Mandalay) Co., Ltd. respectively.

(2) In May 2017, Conch International Holdings (HK) Limited ("Conch (HK)"), a wholly-owned subsidiary of the Company, and Battambang KT Cement Co., Ltd. ("KT Company", the business partner from Cambodia) acquired the 9% and 11% equity interests in Battambang Conch from Hong Kong Prosperity Cement Holdings Limited ("Prosperity Company", which held 20% equity interests in Battambang Conch), respectively. After completion of the transfer of equity interests, Conch (HK) held 60% equity interests in Battambang Conch, KT Company held 40% equity interests in Battambang Conch and Prosperity Company ceased to hold equity interests in Battambang Conch.

(3) In June 2017, Conch (HK) and Krittaphong Group Co., Ltd ("Krittaphong Group") jointly invested in and established Vientiane Conch Cement Co., Ltd. in Laos, with an initial registered capital of US$1 million. Conch (HK) and Krittaphong Group contributed US$0.75 million and US$0.25 million respectively, representing 75% and 25% of the registered capital of Vientiane Conch Cement Co., Ltd. respectively.

(4) In July 2017, the Company and Zunyi Huichuan Louhaiqing Tourism Development & Investment Co., Ltd. ("Louhaiqing Investment Company") jointly invested in and established Zunyi Haihui New Materials, with a registered capital of RMB45 million. The Company and Louhaiqing Investment Company contributed RMB27 million and RMB18 million respectively, representing 60% and 40% of the registered capital of Zunyi Haihui New Materials respectively.

## 4. Report of the Directors

(5) In August 2017, the Company and Guangyuan Chaotian Industrial Park Construction Investment Co., Ltd. ("Guangyuan Investment Company") jointly invested in and established Guangyuan Conch New Materials Co., Ltd., with a registered capital of RMB40 million. The Company and Guangyuan Investment Company contributed RMB36 million and RMB4 million respectively, representing 90% and 10% of the registered capital of Guangyuan Conch New Materials Co., Ltd. respectively.

(6) In August 2017, the Company and Sichuan Dingfeng State-owned Assets Investment and Operation Co., Ltd. ("Dingfeng Investment Company") jointly invested in and established Bazhong Conch Building Materials Co., Ltd., with a registered capital of RMB50 million. The Company and Dingfeng Investment Company contributed RMB45 million and RMB5 million respectively, representing 90% and 10% of the registered capital of Bazhong Conch Building Materials Co., Ltd. respectively.

(7) In August 2017, the Company invested in and established Chizhou Conch New Materials Co., Ltd., with a registered capital of RMB50 million, which is held as to 100% by the Company.

(8) In August 2017, the Company acquired the 50% equity interests in Guiyang Conch Panjiang Cement Co., Ltd., 50% equity interests in Guiding Conch Panjiang Cement Co., Ltd., 50% equity interests in Zunyi Conch Panjiang Cement Co., Ltd., 49% equity interests in Qianxinan Resource Development Co., Ltd. and 49% equity interests in Tongren Conch Panjiang Cement Co., Ltd. from Guizhou Panjiang Investment Holding (Group) Co., Ltd. by way of bidding. After completion of the acquisition of equity interests, the Company held 100% equity interests in the aforesaid five companies in Guizhou.

(9) In September 2017, the Company entered into the Equity Transfer Agreement with Yu Xueming, a shareholder of Shaanxi Phoenix Building Materials in relation to the acquisition of 65% equity interests in Shaanxi Phoenix Building Materials. The registered capital of Shaanxi Phoenix Building Materials is RMB584.612 million. Shaanxi Phoenix Building Materials has a 4,500t/d clinker production line, an ancillary cement grinding production line with an annual capacity of 2.2 million tonnes, and an aggregate production capacity of 2 million tonnes. In September 2017, the procedures for the relevant transfer of equity interests and change of business registration were completed.



## 4. Report of the Directors

(10) In October 2017, the Company and Shanghai South Cement Company Limited ("South Cement") jointly invested in and established Anhui Jiangbei Haizhong Building Materials Trading Co., Ltd., with a registered capital of RMB10 million. The Company and South Cement contributed RMB5.1 million and RMB4.9 million respectively, representing 51% and 49% of the registered capital of Anhui Jiangbei Haizhong Building Materials Trading Co., Ltd. respectively.

(11) In December 2017, the Company and Xing'an Xintai Urban Construction Investment & Development Co., Ltd. ("Xintai Urban Investment Company") jointly invested in and established Xing'an Conch New Materials Co., Ltd., with a registered capital of RMB40 million. The Company and Xintai Urban Investment Company contributed RMB28 million and RMB12 million respectively, representing 70% and 30% of the registered capital of Xing'an Conch New Materials Co., Ltd. respectively.

(12) In December 2017, the Company and Huang He, a natural person, jointly invested in and established Wuhu Conch Mining Co., Ltd., with a registered capital of RMB12 million. The Company and Huang He contributed RMB8.4 million and RMB3.6 million respectively, representing 70% and 30% of the registered capital of Wuhu Conch Mining Co., Ltd. respectively.

(13) In December 2017, the Company invested in and established Chongqing Conch Material Trading Co., Ltd., with a registered capital of RMB100 million, which is held as to 100% by the Company.

(14) During the Reporting Period, the Company made injection into the following subsidiaries with the capital increase as follows:

| Name of companies | Capital increase by the Company | Enlarged registered capital | The Company's shareholding upon the capital increase |
|---|---|---|---|
| 1. Yingjiangyunhan | RMB272.673 million | RMB300 million | 99% |
| 2. Luangprabang Conch | US$15.4 million | US$23 million | 70% |
| 3. Battambang Conch | US$24 million | US$50 million | 60% |
| 4. Volga Conch | US$0.5 million | US$0.7 million | 75% |

Note: 1. After completion of the capital increase, apart from the increase of the Company's shareholding in Yingjiangyunhan from 90% to 99%, the Company's shareholding in the other subsidiaries remained the same as before;

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

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

(1) During the Reporting Period, in order to realize investment return, the Company decreased its shareholding in Xinli Finance by 3,620,000 shares, representing 1.49% of the issued shares of Xinli Finance. After such decrease in shareholdings, the Company held 18,165,700 shares in Xinli Finance, representing 7.51% of the issued shares of Xinli Finance. Subsequently, as Xinli Finance carried out capital conversion from capital reserve during the Reporting Period on the basis of one share for each existing share held, the number of shares in Xinli Finance held by the Company increased to 36,331,400, while the Company's shareholding remaining at 7.51%. The Company also decreased its shareholding in Qingsong Building Materials and Chemicals by 146,028,004 shares, representing 10.59% of the issued shares of Qingsong Building Materials and Chemicals. After such decrease in shareholdings, the Company no longer held any shares in Qingsong Building Materials and Chemicals. Furthermore, the Company decreased its shareholding in Jidong Cement by 187,703,978 shares, representing 13.93% of the issued shares of Jidong Cement. After such decrease in shareholdings, the Company no longer held any shares in Jidong Cement. During the Reporting Period, the Company decreased its shareholdings in the aforesaid companies and realized investment return of RMB1.860 billion.

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

| Stock Code | Stock Short Name | Initial investment cost (RMB) | Percentage of shareholding at the beginning of the Reporting Period (%) | Percentage of shareholding at the end of the Reporting Period (%) | Carrying amount as at the end of the Reporting Period (RMB) | Profit/loss recognized during the Reporting Period (RMB) |
|---|---|---|---|---|---|---|
| 600318 | Xinli Finance | 54,218,350 | 9.00 | 7.51 | 461,408,780 | 98,846,143 |
| 000401 | Jidong Cement | 2,161,423,434 | 13.93 | – | – | 1,459,763,635 |
| 600425 | Qingsong Building Materials and Chemicals | 813,754,120 | 10.59 | – | – | 260,743,065 |
| 2233 | WCC | 1,449,828,915 | 21.17 | 21.16 | 1,534,583,106 | 142,382,045 |
| Total | | 4,479,224,819 | – | – | 1,995,991,886 | 1,961,734,888 |

Note: During the Reporting Period, the shareholding of the Company in WCC decreased to 21.16% as a result of the enlarged share capital of WCC due to the issuance of 1,725,000 new shares.

The shares held by the Group in Xinli Finance and Jidong Cement were recognized as "available-for-sale financial assets", while the shares in Qingsong Building Materials and Chemicals and WCC were recognized as "long-term equity investments".

**3. Major investment projects during the Reporting Period**

During the Reporting Period, there was no major investment project with a total investment amount exceeding 10% of the audited net assets of the Company of the previous year. For details of the investment projects of the Company during the Reporting Period, please refer to the subparagraph headed "Overview of operation development" under the paragraph headed "Analysis of Operational Conditions" under the section headed "5. Management Discussion and Analysis on the Operations of the Group" of this report and note 14 under note 5 to the financial statements prepared in accordance with the PRC Accounting Standards.

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

As at the end of the Reporting Period, the Company had 140 majority-owned subsidiaries, 6 jointly–controlled entities and 2 associated entities, details of which were set out in notes 18, 19 and 20 to the financial statements of the Company prepared in accordance with the IFRSs.

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

## (2) PROFIT APPROPRIATION POLICY AND ITS IMPLEMENTATION

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

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

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

## 4. Report of the Directors

During the Reporting Period, the Company executed the profit distribution proposal for the year 2016 which was approved at the 2016 annual general meeting of the Company. It was proposed that based on the total number of issued shares of 5,299,302,579 shares at the end of 2016, a cash final dividend of RMB0.5 (tax inclusive) was paid to all the shareholders of the Company for every one share held, totaling RMB2,649,650,000 (tax inclusive). As of June 2017, the above dividend was paid to all the shareholders whose names were recorded in the register of members on the relevant record date. The announcement regarding the implementation of the aforesaid dividend distribution was published on the SSE website, Shanghai Securities Journal and Securities Times on 13 June 2017, as well as the HKExnews website and the Company's website on 12 June 2017 respectively.

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

| Year | Capitalization of capital reserve fund for the year | Cash dividend paid per share (RMB) | Dividend for the year (RMB'000) | Cash dividend for the year to net profit attributable to equity shareholders of the Company |
|---|---|---|---|---|
| 2015 | / | 0.43 | 2,278,700 | 30.32% |
| 2016 | / | 0.5 | 2,649,651 | 31.06% |
| 2017 | / | 1.2 | 6,359,163 | 40.11% |



**2. Profit appropriation proposal**

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRSs respectively, the Group's profit after tax and minority interests for the year 2017 amounted to RMB15,854.67 million and RMB15,898.69 million respectively. The Board proposed the appropriation of the profit for the period ended 31 December 2017 as follows:

(1) Pursuant to the requirements of the Articles of the Company, the Company shall allocate 10% of its profit after tax for the year to the statutory surplus reserve, provided that no allocation is required if the accumulated statutory surplus reserve exceeds 50% of the registered capital of the Company. As the statutory surplus reserve had reached 50% of the registered capital of the Company, no allocation was made for the year 2017.

(2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2017, the payment of a final dividend of RMB1.2 per share (tax inclusive) is proposed, totaling RMB6,359.16 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2017.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2017.



# 4. Report of the Directors

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

According to the relevant provisions under the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) (hereinafter referred to as the "Shanghai-Hong Kong Stock Connect Taxation Policy"), enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in H shares through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises that hold H shares for at least 12 consecutive months. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves.

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the relevant implementation rules, the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for individual holders of H Shares whose names appear on the H Shares register of members of the Company.

According to the Shanghai-Hong Kong Stock Connect Taxation Policy, the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H shares through Shanghai-Hong Kong Stock Connect. For Mainland securities investment funds investing in H shares through Shanghai-Hong Kong Stock Connect, individual income tax shall be levied on dividends derived therefrom.

# 4. Report of the Directors

Pursuant to the Notice on Issues relating to Collecting Individual Income Tax after the Document of Guoshuifa [1993] No. 045 Becomes Void (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the State Administration of Taxation and the letter entitled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued in Hong Kong by domestic non-foreign invested enterprises are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties entered into between the countries where they reside and China and the tax arrangements between the Mainland China and Hong Kong (Macau). The Company shall determine the identity of individual holders of H Shares whose names appear on the H Shares register of members of the Company on 11 June 2018 (Monday) based on their registered addresses. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H Shares or any disputes over the withholding mechanism or arrangements. The relevant arrangements are detailed as follows:

(1) For individual holders of H Shares who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of dividend.

(2) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares. If such individual holders of H Shares would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholders to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholders shall submit to the Company the information required under the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (Guoshuifa [2015] No. 60) (《國家稅務總局關於印發〈非居民納稅人享受稅收協議待遇管理辦法〉的通知》(國稅發[2015]60號)) on or before 18 June 2018. Upon examination and approval by the competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

# 4. Report of the Directors

(3) For individual holders of H Shares whose country of domicile is a country which has entered into a tax treaty with China stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual applicable tax rate stipulated in the relevant tax treaty on behalf of the individual holders of H Shares.

## (3) TAXATION

Details of taxation are set out in notes 8 and 34 to the financial statements prepared in accordance with the IFRSs, and in note 4 "Taxation" and notes 18, 24, 38 and 48 under note 5 "Notes to Consolidated Financial Statements" to the financial statements prepared in accordance with the PRC Accounting Standards.

## (4) MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1.709 billion, representing 2.27% of the total sales amount of the Group; and the largest customer accounted for 0.78% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB7.751 billion, representing 15.86% of the total purchases amount of the Group; and the largest supplier accounted for 6.33% of the total purchases amount of the Group. So far as is known to the Group, the five largest customers and suppliers have no connection with the Group.





## 4. Report of the Directors

None of the Directors, Supervisors or their respective associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company had interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2017.

The value of the major raw materials and energy used by the Group are mainly denominated in RMB.

### (5) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and equipment of the Company for the year ended 31 December 2017 were set out in notes 14 and 15 to the financial statements prepared in accordance with the IFRSs.

### (6) TOTAL ASSETS

As at 31 December 2017, the Group's total assets as determined in accordance with the IFRSs amounted to approximately RMB122.143 billion, representing an increase of approximately RMB12.628 billion over that of last year.

### (7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2017 were set out in the consolidated statement of changes in equity and note 36 to the financial statements prepared in accordance with the IFRSs.



## (8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2017 were set out in notes 31, 32 and 33 to the financial statements prepared in accordance with the IFRSs. The Group's deposits as at 31 December 2017 were placed with reputable commercial banks. The Group has no entrusted deposits or term deposits which cannot be withdrawn upon expiry. During the Reporting Period, interest capitalized in respect of construction-in-progress amounted to RMB34.7123 million, details of which were set out in note 7 to the financial statements prepared in accordance with the IFRSs.

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

During the Reporting Period, the Group proactively pushed forward the construction of overseas projects, the payment of which was principally made in local currency, Renminbi and US dollars. The equipment, fire-resistant tiles and spare parts imported by the Group were mainly settled in US dollars and Euro dollars, while cement and clinker and equipment for export were usually settled in RMB or US dollars. The purchase of materials and sales of commodities by overseas companies were mainly settled in local currencies. Any change in the exchange rates of such foreign currencies against RMB will directly affect the project construction costs, material procurement costs and export sales revenues of the Group.

In order to effectively reduce foreign exchange risk to ensure an overall managed risk level, the Group implemented centralized management and allocation over foreign funds in the domestic and overseas markets by continuing to promote a management model of foreign fund pool, so as to lower costs of exchange settlement and sales, effectively reducing finance costs. The Company actively explored fund transfer models between subsidiaries in the same country, so as to complement each other's capital advantage, enhance capital economies of scale and reduce loss from currency exchange. The Company also increased the loans denominated in the currencies of the countries where it operates to an appropriate extent, so as to match the financing currency with the settle requirements. Furthermore, the Company used swap instruments to hedge foreign exchange risk based on currency performance. In active response to the temporary appreciation of Renminbi, the Company also made appropriate foreign exchange payment arrangements based on the import and export plan by adjusting its operation strategy for foreign exchange risk on a timely basis and conducted strategic dealings in short-term deposit products denominated in US dollars, in an effort to maximize gains from foreign exchange.

## 4. Report of the Directors

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

For details on the business review, outlook for 2018 and the major risk factors of the Group, please refer to the two sections headed "3. Business overview of the Company" and "5. Management Discussion and Analysis on the Operations of the Group" in this annual report.

### (11) COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2017, the Group has complied with the relevant laws and regulations which have a significant impact on the Company.

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

## ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2017

**(1) Overview of operation development**

In 2017, the Group overcame a number of adverse factors including rising prices of raw materials and fuel and great changes in the market conditions and seized the favorable opportunities arising from the State's further deepening of supply-side structural reform and the promotion of off-peak season production. By strengthening research and analysis on the market supply-and-demand condition and adhering to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", the Company achieved stable increase in sales volume and significant increase in product price. The Group made bulk procurement of raw materials and fuel and optimized resource allocation, thereby effectively controlling procurement costs. Moreover, the Group strengthened indicator management and control over production and operation, leading to continued improvement of operation quality and substantial improvement in operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue generated from its principal activities amounted to RMB73.592 billion, representing an increase of 34.22% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB15.855 billion, representing an increase of 85.87% from that for the corresponding period of last year; and earnings per share was RMB2.99, representing an increase of RMB1.38 per share from that for the corresponding period of last year. In accordance with the IFRSs, the revenue amounted to RMB75.311 billion, representing an increase of 34.65% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB15.899 billion, representing an increase of 85.43% from that for the corresponding period of last year; and earnings per share was RMB3.00.

During the Reporting Period, the Group continued to promote the construction and mergers and acquisitions of domestic projects. Eight cement grinding units of Quanjiao Conch Cement Co., Ltd., Anhui Xuancheng Conch Cement Co., Ltd. and Nantong Conch Cement Co., Ltd. had successfully completed construction and been put into operation. The aggregates projects of Pingliang Conch Cement Co., Ltd. and Jining Conch Cement Co., Ltd. and the commercial concrete project of Zunyi Haihui New Materials had completed construction and been put into operation. After the acquisition of Shaanxi Phoenix Building Materials, the production capacity of clinker, cement and aggregates of the Group increased by 1.80 million tonnes, 2.20 million tonnes and 2.00 million tonnes respectively. The Group also acquired the minority interests of five subsidiaries in Guizhou Province.

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

Meanwhile, the Group proactively pushed forward the construction of overseas projects. Phase two of the Merak grinding mill project in Indonesia had completed construction and been put into production. The main construction for the cement projects of North Sulawesi Conch of Indonesia and Battambang Conch of Cambodia had completed, and it is estimated that these projects will be put into operation in 2018; the projects of Luangprabang Conch of Laos had entered the peak construction phase. The preliminary works for the projects of Volga Conch, Vientiane of Laos and Mandalay of Myanmar had made smooth progress.

As at the end of the Reporting Period, the production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 246 million tonnes, 335 million tonnes, 28.90 million tonnes and 0.6 million cubic meters respectively.

Adhering to the sustainable development approach, the Group continued to strengthen environmental management and push ahead technology improvement in respect of energy conservation and environmental protection. The Group carried out upgrade and improvement of the SNCR denitration technology and explored and developed effective desulphurization technology, so as to ensure the discharge of pollutants such as $NO_X$ and $SO_2$ meets the specified standards. The Group continued to implement technology improvement on the cement roller presses, decomposition furnaces of clinker production lines and raw mill's three-fan systems, and achieved positive results in energy conservation and emission reduction. In order to implement the low-carbon development strategy advocated by the government, Baimashan Cement Plant of the Group piloted the construction of the "Demonstration Project for Collection and Purification of $CO_2$ from the Smoke Emitted by Cement Kilns", which was scheduled to commence operation in the first half year of 2018, with an aim to lower carbon emission and perform our social responsibility as a major enterprise. For detailed description of major measures taken by the Group to comply with the environmental protection policies and regulations and perform its environmental protection responsibility, please refer to the 2017 Social Responsibility Report of the Company, which will be published on the websites of the SSE, the Stock Exchange and the Company on the same day as the publication of the 2017 annual report of the Company.



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

### (2) Major operational information during the Reporting Period

#### 1. Analysis of revenue and cost

Principal activities by industry, product and region

**Principal activities by industry**

| Industry | Operating revenue (RMB'000) | Operating cost (RMB'000) | Gross profit margin (%) | Year-on-year change in operating revenue (%) | Year-on-year change in operating cost (%) | Year-on-year change in gross profit margin (%) |
|---|---|---|---|---|---|---|
| Building material industry | 73,592,382 | 47,399,107 | 35.59 | 34.22 | 28.73 | Increased by 2.74 percentage points |

**Principal activities by product**

| Product | Operating revenue (RMB'000) | Operating cost (RMB'000) | Gross profit margin (%) | Year-on-year change in operating revenue (%) | Year-on-year change in operating cost (%) | Year-on-year change in gross profit margin (%) |
|---|---|---|---|---|---|---|
| 42.5-grade cement [Note 1] | 45,022,595 | 29,265,306 | 35.00 | 48.00 | 41.71 | Increased by 2.89 percentage points |
| 32.5-grade cement | 20,602,198 | 12,796,363 | 37.89 | 19.28 | 18.30 | Increased by 0.52 percentage point |
| Clinker | 7,267,280 | 5,084,557 | 30.03 | 7.25 | -1.40 | Increased by 6.14 percentage points |
| Aggregate and carpolite | 699,018 | 251,820 | 63.98 | 92.78 | 28.90 | Increased by 17.86 percentage points |
| Commercial concrete | 1,291 | 1,061 | 17.80 | – | – | – |

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

**Principal activities by region**

| Region | Operating revenue (RMB'000) | Operating cost (RMB'000) | Gross profit margin (%) | Year-on-year change in operating revenue (%) | Year-on-year change in operating cost (%) | Year-on-year change in gross profit margin (%) |
|---|---|---|---|---|---|---|
| East China [Note 2] | 21,594,042 | 13,901,112 | 35.63 | 42.13 | 31.93 | Increased by 4.97 percentage points |
| Central China [Note 3] | 23,517,202 | 15,027,011 | 36.10 | 45.71 | 41.06 | Increased by 2.11 percentage points |
| South China [Note 4] | 10,357,145 | 6,158,398 | 40.54 | 8.90 | 2.24 | Increased by 3.87 percentage points |
| West China [Note 5] | 15,764,536 | 10,555,274 | 33.04 | 33.86 | 30.90 | Increased by 1.51 percentage points |
| Overseas and export | 2,359,457 | 1,757,312 | 25.52 | 6.78 | 13.76 | Decreased by 4.57 percentage points |

Notes:
1. The 42.5-grade cement includes cement of grade 42.5 and above;
2. East China mainly includes Jiangsu, Zhejiang, Shanghai, Fujian and Shandong;
3. Central China mainly includes Anhui, Jiangxi and Hunan;
4. South China mainly includes Guangdong and Guangxi;
5. West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang.

**Sales by industry**

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 295 million tonnes, representing a year-on-year growth of 6.6%, of which the sales volume of self-produced products amounted to 290 million tonnes. Due to a substantial rise in product composite selling prices, the consolidated gross profit margin recorded a year-on-year increase of 2.74 percentage points to 35.59%, among which, the consolidated gross profit margin of products produced and marketed by the Group increased by 3.43 percentage points year-on-year to 36.27%.

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

**Sales by type of products**

The gross profit margins of the 42.5-grade cement, the 32.5-grade cement and the clinker increased by 2.89 percentage points, 0.52 percentage point and 6.14 percentage points year-on-year respectively. The consolidated gross profit margin of aggregate and carpolite increased by 17.86 percentage points year-on-year to 63.98%, which was mainly attributable to the significant increase in product selling price as a result of further improvement in the aggregate market supply-and-demand condition due to the efforts by the national and local governments to strengthen the management of mineral resources.

**Sales by region**

During the Reporting Period, sales amount of the Group increased by varying degrees between regions due to an increase in both composite selling price and sales volume of products.

**In East China and Central China**, through market operation, the Company achieved growth in sales volume and significant increase in prices, recording a year-on-year increase in sales amount of 42.13% and 45.71% respectively and a year-on-year increase in gross profit margins of 4.97 and 2.11 percentage points respectively.

**In South China,** the Company took proactive initiatives in response to the effect of new production capacity, with slight decrease in sales volume and increase in prices, resulting in a year-on-year increase in sales amount of 8.90% and a year-on-year increase in gross profit margin of 3.87 percentage points.



**In West China**, the Company seized the favorable opportunity arising from increasing market demand and promotion of off-peak season production due to the seasonal characteristics of the industry to achieve steady increase in both sales volume and prices, recording a year-on-year increase in sales amount of 33.86% and a year-on-year increase in gross profit margin of 1.51 percentage points.

Affected by the increasing demand from the domestic market and periodic shortage in clinker resources, the Group recorded a year-on-year decrease in export sales volume and sales amount of 27.56% and 9.11% respectively. With the commencement of operation of overseas projects and continued sales market network improvement, the sales volume of overseas project companies recorded a year-on-year increase of 82.76% and the sales amount increased by 81.90% year-on-year.

**2. Profit analysis**

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

| Item | **Amount** | | Change from that of the corresponding period of last year |
|---|---|---|---|
| | **2017** | 2016 (Restated) | |
| | **(RMB'000)** | (RMB'000) | (%) |
| Revenue from principal activities | **73,592,382** | 54,830,637 | 34.22 |
| Profit from operations | **20,825,298** | 10,867,100 | 91.64 |
| Profit before taxation | **21, 228,756** | 11,653,206 | 82.17 |
| Net profit attributable to equity shareholders of the Company | **15, 854,670** | 8,529,917 | 85.87 |

Note: In accordance with the relevant regulations under the "Notice on the Revision of the General Format of Financial Statements of Business Enterprises" (《關於修訂印發一般企業財務報表格式的通知》) (Caikuai [2017] No.30) issued by the Ministry of Finance, the Company has restated the figures on its financial statements for the year 2016.



During the Reporting Period, benefitting from the growth in product sales volume, rise in product prices and increase in investment income, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year increase of 91.64%, 82.17% and 85.87% respectively.

During the Reporting Period, the Group received investment income of RMB1.860 billion from disposal of shares held by it in several listed peer companies.

### 3. Analysis of costs and expenses

**Consolidated costs of cement and clinker in 2017 and their year-on-year changes**

| Item | **2017** | | 2016 | | Change in unit costs | Change in costs proportion (percentage points) |
|---|---|---|---|---|---|---|
| | **Unit costs (RMB/tonne)** | **Percentage (%)** | Unit costs (RMB/tonne) | Percentage (%) | (%) | |
| Raw materials | **27.83** | **17.42** | 22.88 | 17.30 | 21.63 | 0.12 |
| Fuel and power | **98.71** | **61.78** | 78.30 | 59.19 | 26.07 | 2.59 |
| Depreciation expense | **12.52** | **7.84** | 12.55 | 9.49 | -0.24 | –1.65 |
| Labor cost and others | **20.70** | **12.96** | 18.55 | 14.02 | 11.59 | -1.06 |
| Total | **159.76** | **100** | 132.28 | 100.00 | 20.77 | – |

During the Reporting Period, the consolidated costs of the Company increased by 20.77% or RMB27.48/tonne year-on-year to RMB159.76/tonne, which was mainly due to the substantial increase in purchasing price of raw coal.

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

| Expenses for the period | **2017 Amount (RMB'000)** | 2016 Amount (RMB'000) | As a percentage of revenue from principal activities for the Reporting Period (%) | As a percentage of revenue from principal activities for the same period last year (%) | Change in percentage of revenue from principal activities (percentage points) |
|---|---|---|---|---|---|
| Selling expenses | **3,571,930** | 3,276,414 | 4.85 | 5.98 | -1.13 |
| Administrative expenses | **3,459,690** | 3,143,600 | 4.70 | 5.73 | -1.03 |
| Financial expenses (net) | **215,620** | 336,857 | 0.29 | 0.61 | -0.32 |
| Total | **7, 247,240** | 6,756,871 | 9.84 | 12.32 | -2.48 |

During the Reporting Period, the Group's financial expenses decreased by 35.99% year-on-year, mainly due to a year-on-year decrease in interest expenses as a result of the repayment of the corporate bonds with a principal amount of RMB7 billion that were already due by the Group last year.

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate as a percentage to revenue generated from principal activities was 9.84%, having decreased by 2.48 percentage points as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in revenue from principal activities. The Group's selling, administrative and financial expenses in aggregate per tonne was RMB24.56/tonne, basically the same as that of the corresponding period last year.



### 4. Financial position

#### Asset and liability overview

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

| Item | **31 December 2017 (RMB'000)** | 31 December 2016 (RMB'000) | Change as at the end of the Reporting Period as compared to those at the beginning of the year (%) |
|---|---|---|---|
| Fixed assets | **59,667,633** | 62,278,022 | -4.19 |
| Current and other assets | **62,474,952** | 47,236,099 | 32.26 |
| Total assets | **122,142,585** | 109,514,121 | 11.53 |
| Current liabilities | **21,114,303** | 17,049,224 | 23.84 |
| Non-current liabilities | **9,064,175** | 12,166,126 | -25.50 |
| Total liabilities | **30,178,478** | 29,215,350 | 3.30 |
| Minority interests | **2,557,812** | 3,689,850 | -30.68 |
| Equity attributable to equity shareholders of the Company | **89,406,295** | 76,608,921 | 16.70 |
| Total liabilities and equity | **122,142,585** | 109,514,121 | 11.53 |

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

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB122,143 million, representing an increase of 11.53% as compared to those at the end of the previous year. Total liabilities amounted to RMB30,178 million, representing an increase of 3.30% as compared to those at the end of the previous year; in which the current liabilities amounted to RMB21,114 million, representing an increase of 23.84% as compared to those at the end of the previous year; and non-current liabilities amounted to RMB9,064 million, representing a decrease of 25.50% as compared to those at the end of the previous year, which was mainly due to the transfer of the corporate bonds due within one year from the non-current liabilities to the current liabilities. As at 31 December 2017, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 24.71%, representing a decrease of 1.97 percentage points as compared to that at the end of the previous year.

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

As at the end of the Reporting Period, equity attributable to equity shareholders of the Company amounted to RMB89.406 billion, representing an increase of 16.70% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB2.558 billion, representing a decrease of 30.68% as compared to that of the previous year; as at the end of the Reporting Period, net assets per share attributable to equity shareholders of the Company amounted to RMB16.87, representing an increase of RMB2.41/share as compared to that at the end of the previous year.

As at 31 December 2017, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB45.953 billion and RMB21.114 billion respectively, with a current ratio of 2.18:1 (corresponding period last year: 1.72:1). The year-on-year increase in current ratio was mainly due to the increase in current assets including cash balance and notes receivable. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB46.024 billion and RMB21.114 billion respectively, with net gearing ratio of 0.04 (corresponding period last year: 0.10). Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

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

### Liquidity and source of funds

Maturity analysis of bank loans and other borrowings of the Group as at the end of the Reporting Period is as follows:

| | **As at 31 December 2017 (RMB'000)** | As at 31 December 2016 (RMB'000) |
|---|---|---|
| Due within 1 year | **3,120,771** | 2,037,987 |
| Due after 1 year but within 2 years | **2,616,794** | 2,209,147 |
| Due after 2 years but within 5 years | **1,590,715** | 2,883,278 |
| Due after 5 years | **652,972** | 354,825 |
| Total | **7,981,252** | 7,485,237 |

As at the end of the Reporting Period, the Group's aggregate bank borrowings were RMB7,981 million, representing an increase of RMB496 million as compared to those at the beginning of the year. The increase was mainly attributable to the additional borrowings of some of the Group's overseas subsidiaries during the Reporting Period. Please refer to note 8 to the financial report prepared in accordance with the PRC Accounting Standards for information on the borrowings bearing fixed interest rate.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB6.0 billion, of which RMB2.5 billion would be due within 1 year and RMB3.5 billion would be due after 2 years but within 5 years.

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

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

**Analysis of cash flow**

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

| | **2017 (RMB'000)** | 2016 (RMB'000) | Changes (%) |
|---|---|---|---|
| Net cash flows generated from operating activities | **17,363,027** | 13,196,752 | 31.57 |
| Net cash flows generated from investment activities | **-5,202,648** | -4,552,247 | -14.29 |
| Net cash flows generated from financing activities | **-7,499,608** | –7,150,950 | -4.88 |
| Effect of exchange rate movement on cash and cash equivalents | **-31,406** | 20,978 | –249.71 |
| Net increase in cash and cash equivalents | **4,629,365** | 1,514,533 | 205.66 |
| Balance of cash and cash equivalents at the beginning of the year | **5,799,567** | 4,285,034 | 35.34 |
| Balance of cash and cash equivalents at the end of the year | **10,428,932** | 5,799,567 | 79.82 |

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB17.363 billion, representing an increase of RMB4.166 billion as compared to that of last year. Such increase was mainly due to the increase in the Group's operating revenue.



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

During the Reporting Period, the Group's net cash outflows from investment activities increased by RMB650 million as compared to that of last year, mainly due to the the increase in the Group's term deposits with a maturity of over three months and the expenditure of wealth management funds.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB349 million as compared to that of last year, primarily attributable to the increase in cash payment for acquiring minority interests by the Group.

## 5. Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB6.485 billion, which was primarily used in the investment in construction of cement and clinker production lines, the residual heat electricity generation projects and the aggregate projects as well as used as the expenditure in merger and acquisition of projects.

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

| | **As at 31 December 2017 (RMB'000)** | As at 31 December 2016 (RMB'000) |
|---|---|---|
| Authorized and contracted for | **972,831** | 2,057,963 |
| Authorized but not contracted for | **1,829,774** | 3,062,212 |
| Total | **2,802,605** | 5,120,175 |

## OUTLOOK FOR 2018

2018 is a critical transitional year for the implementation of the "Thirteenth Five-year Plan". It is expected that the PRC government will adhere to the main theme of "making steady progress while maintaining stability" and continue to implement proactive fiscal policy and prudent monetary policy, so as to promote the sustainable and healthy development of the economy and society. A year-on-year GDP growth rate of about 6.5% is anticipated. (Source: Government Work Report of 2018)

In 2018, it is expected that China will continue to implement the strategy of regional coordinated development by promoting the construction and development of urban agglomerations such as the Yangtze River Economic Belt, Xiong'an New Area and Guangdong-Hong Kong-Macau Greater Bay Area, continuing to push forward the development of Western China and boosting the development of Central China, with an aim to achieve a relatively balanced development of infrastructure and basic public services among these regions, thus maintaining investments in infrastructure at a high and stable level. The construction area and land acquisition area of real estate both maintained a growing trend in 2017, which is expected to continue in 2018, providing strong support for the cement market demand. At the same time, it is expected that China will continue to deepen the supply-side structural reform and eliminate excessive capacities and backward capacities by insisting on adopting approaches based on market mechanism and the rule of law as well as strictly implementing the regulations and standards in terms of environmental protection, quality and safety, etc. Coupled with the continuous promotion of off-peak season production and the continuous implementation of industry consolidation and restructuring, the market concentration will steadily increase and the business environment of the industry will be constantly improved.

In an active response to the national initiative of "The Belt and Road", the Group will proactively and prudently promote its internationalization development strategies, and further improve the operational quality of its projects in operation including Kalimantan Conch, Indonesia Conch and Myanmar Conch. The Group will make efforts to push ahead with the construction of the cement projects in North Sulawesi Conch of Indonesia, Battambang Conch of Cambodia and Luangprabang Conch of Laos to ensure that the North Sulawesi Conch and Battambang Conch projects will commence operation as scheduled and create favorable conditions for product launch. The Group will expedite the preparation of the preliminary works for the projects in Vientiane of Laos, Mandalay of Myanmar and projects of Volga Conch of Russia, and actively seek new development opportunities in the countries along the "The Belt and Road" route. Meanwhile, seizing the good opportunity arising from the supply-side structural reform of the industry, the Group will continue to improve its domestic market planning, seek appropriate merger and acquisition targets and explore new equity cooperation model. The Group will proactively extend its industrial chain by accelerating the development of its aggregate business and further expanding its concrete business presence.

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

In 2018, the Group's capital expenditure is expected to be approximately RMB6.8 billion, which will be funded primarily by internal resources and supplemented by bank loans and will mainly be used for the construction of projects, technology improvement of production lines and as up-front expenditures of acquisition and merger projects. It is expected that the clinker, cement, aggregate and commercial concrete production capacity will increase by approximately 3.6 million tonnes, 14.8 million tonnes (exclusive of production capacity acquired), 14.50 million tonnes and 1.20 million cubic meters respectively for the full year.

In respect of operation management, the Group will closely monitor changes in the domestic and overseas economic environment, and will study and assess the market trend more closely, adhere to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies" and enhance market operation, so as to steadily expand its market share. Leveraging the price movement of bulk raw material and fuel such as coal, the Group will strive to lower procurement costs of coal by means of consolidation of existing coal supply channels, proactive exploration of new channels and cross-regional allocation of coal resources. The Group will continue to strengthen its environmental management to further improve the environmental management system, and promote technological modification for energy conservation and emission reduction, so as to enhance its production and management efficiency. The Group will make efforts to promote technology innovation, push ahead with the construction of factories equipped with information system and intelligent system, so as to increase efficiency and reduce operating costs. Furthermore, the Group will steadily push forward remuneration and incentive mechanism reform to attract more outstanding talents and strengthen high-end talent reserve, so as to secure the human resources required for the sustainable and healthy development of the Company. In 2018, the Group plans to maintain its net sales volume of cement and clinker substantially the same as to that of the corresponding period last year. It is expected that the cost of products per tonne will slightly increase, while the expenses of products per tonne will remain basically stable.

In 2018, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is highly dependent on the construction industry and is closely related to the growth rate of fixed asset investments. With China's economy entering into a new stage where it shifted from high growth to high quality development, the slowdown in the growth of fixed asset investment and the tightening real estate control policy will have some impact on the cement market demand.

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

To address the above-mentioned risks, the Group will closely monitor changes in the State's macro-economic policies and step up efforts in conducting analysis and research on the relevant policies and factors that affect the demands of the cement industry, so as to have proper understanding of the market supply and demand. The Group will timely adjust its marketing strategies according to changes in the market conditions and promote the integrated operation of regional sales, with an aim to improve the quality of production and operation of the Company.

2. The cost of coal and electricity accounts for around 60% of the total manufacturing cost of cement. In the event of substantial surge in coal price due to factors such as policy adjustment or changes in market supply-and-demand condition, the Company will be under pressure of rising production costs. If the increase in cost resulting from the above factors could not be entirely transferred to the product price, the Company's profitability will be adversely affected.

   In order to address the above-mentioned risks, the Group will strive to reduce the procurement costs of raw material and fuel to the maximum extent by continuing to watch closely changes in the supply-and-demand condition in coal and other raw material and fuel market, taking full advantage of bulk procurement, enhancing strategic cooperation with large-scale coal corporations, expanding the procurement channels of resources with high quality and competitive prices and implementing cross-regional planning and allocation of coal resources. Meanwhile, continuous efforts will be made to push ahead technology improvement of energy conservation and emission reduction and enhance the refined management of production lines, so as to further reduce the indicators of coal and electricity consumption.

3. In recent years, the government has implemented stricter environmental protection standards and enhanced enforcement actions regarding environmental protection. At the 19th National Congress of the Communist Party of the PRC, the government called for the acceleration of ecological civilization construction and promotion of green development. With the full implementation of the Environmental Protection Tax Law and strengthened efforts in environmental protection, expenditures for environmental protection incurred by enterprises will be increased, leading to further increase in production costs.



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

To address the above risks, the Group has completed the SNCR flue gas denitration technology modification to all of its production lines and upgrade and modification of dust collectors. The Group also continued to increase investments to develop more advanced denitration technology. Moreover, the Group has proactively researched and promoted desulphurization technology modification in an all-round manner and accelerated research and development of carbon capture technology, with a view to realise energy conservation and emission reduction and meet the discharge standards. Meanwhile, the Company has strictly complied with the relevant PRC laws and regulations in relation to environmental protection and required its subsidiaries to improve standards on environment management. The strengthened environmental protection governance will enable the Group to leverage and benefit from its advantages and also accelerate the structural optimization and upgrade of the cement industry by speeding up the elimination of backward production capacity.

# 6. Significant Events

## (1) COMMITMENTS

In 2007, the Company issued A Shares to Conch Venture as consideration for the purchase of the relevant assets of Conch Venture. Conch Venture has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: Except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), Conch Venture will forgo its other shareholder's rights of the Company such as rights to vote, nominate and elect Directors/Supervisors of the Company, so long as it holds the Company's shares. During the Reporting Period, Conch Venture has complied with the above undertakings.

## (2) APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSE

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

## (3) ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACT OF THE CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATION

During the Reporting Period, pursuant to the Accounting Standards for Business Enterprises No.42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations issued in April 2017 and the Accounting Standards for Business Enterprises No.16 – Government Grants amended in May 2017 by the Ministry of Finance, the Company shall adopt the aforesaid accounting standards for the preparation of financial reports for 2017 and the subsequent periods. In addition, pursuant to the "Notice on the Revision of the General Format of Financial Statements of Business Enterprises" (《關於修訂印發一般企業財務報表格式的通知》) (Caikuai [2017] No.30) issued by the Ministry of Finance on 25 December 2017, the Company shall make adjustment to the format of financial statements for 2017 and the subsequent periods.

This change in the accounting policies is an adjustment to the presentation of financial statements in and disclosure in the notes to the financial reports, without material impacts on the financial position, operating results and other aspects of the Company.

## (4) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the 2016 annual general meeting of the Company, the Company engaged KPMG Huazhen LLP and KPMG (collectively "KPMG") as the PRC auditors and the international auditors of the Company for the year ended 31 December 2017, respectively, and engaged KPMG Huazhen LLP as the internal control auditor of the Company for the year of 2017. The financial audit services fees and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2017 amounted to RMB4.6 million and RMB0.6 million, totaling RMB5.2 million.

KPMG was first appointed as the auditors of the Company in 2006 and has provided audit services for the Company for 12 consecutive years. In accordance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) of the CSRC and the Ministry of Finance of the PRC, KPMG has rotated the endorsing accountant.

## (5) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

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

## (6) MATERIAL LITIGATION AND ARBITRATION

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

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

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

## (8) EXPLANATION ON INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, there was no refusal to implement judgment enforced by court, and no default in payment of outstanding due debt of relatively large amount by the Company, its controlling shareholder and de facto controller.

## (9) STOCK OPTION INCENTIVE SCHEME

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

## (10) MATERIAL CONNECTED (OR RELATED PARTY) TRANSACTIONS

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

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

(1) Use of trademarks

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

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

(2) Transaction with Haiyi Shipping logistics

On 30 June 2016, Shanghai Conch Logistics Co., Ltd. ("Shanghai Logistics", a wholly-owned subsidiary of the Company) and Shanghai Haiyi Shipping Co., Ltd. ("Haiyi Shipping") entered into the Transportation Contract by way of public tender, pursuant to which Haiyi Shipping has agreed to provide maritime transportation services for products such as cement, clinker and coal for the Group for a term of one year. Although no transaction amount is specified in the contract, Shanghai Logistics estimates that the transaction amount will not exceed RMB230 million, which will be determined and settled according to the volume of cargos actually transported by Haiyi Shipping for the Group. As of June 2017, the contract was completed and the transaction amount incurred by Shanghai Logistics and Haiyi Shipping in performing the contract was RMB208.0625 million.

On 30 June 2017, Shanghai Logistics and Haiyi Shipping entered into the new Transportation Contract by way of public tender, pursuant to which Haiyi Shipping has continued to provide maritime transportation services for products such as cement, clinker and coal for the Group for a term of one year. Although no transaction amount is specified in the contract, Shanghai Logistics estimates that the transaction amount will not exceed RMB230 million. During the Reporting Period, the transaction amount incurred by Shanghai Logistics and Haiyi Shipping in performing the contract was RMB133.6920 million.

As Haiyi Shipping is a subsidiary of Conch Venture, and Mr. Yang Kaifa (who resigned as the secretary to the Board during the Reporting Period, which is less than 12 months to the date of this report) is currently the deputy general manager of Conch Venture, Haiyi Shipping remains to be a connected person of the Company under the SSE Listing Rules. The above transaction constituted a connected transaction under the SSE Listing Rules. As the transaction was determined by way of public tender, it can be exempted from the review and disclosure as a connected transaction. In accordance with the HKSE Listing Rules, the above transaction did not constitute a connected transaction as defined in the HKSE Listing Rules.

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

On 25 April 2017, as approved by the Board of the Company, the Company and Anhui Conch Construction Materials Design Centre ("Conch Design Institute") entered into the Design and Technical Services Contract, pursuant to which Conch Design Institute shall provide certain subsidiaries of the Company with engineering design and technical improvement services for clinker production lines, cement grinding mills, aggregate and residual heat electricity generation projects, with a contract sum of RMB73.28 million.

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

As stipulated in the Design and Technical Services Contract, the fee was determined by the parties after arm's length negotiation with reference to the Engineering Survey and Design Charging Administration Regulations promulgated by the National Development and Reform Commission of the PRC and Ministry of Construction of the PRC in 2002 and based on the project scale, investment amount, scope of design, standard of technology and the prevailing market prices for the provision of relevant services. The design fee would be settled according to the progress of the project.

For the performance of the Design and Technical Services Contract (and only such contract), the transaction amounts incurred during the Reporting Period amounted to RMB6.674 million. If taking into account the amount incurred in connection with the performance of other similar contracts entered into in previous years, the accumulated transaction amounts with Conch Design Institute by the Group during the Reporting Period amounted to RMB36.7947 million.

For details about the aforesaid transaction, please refer to the Company's announcement published on the website of the Stock Exchange and the website of the Company on 25 April 2017 and published on the website of the SSE on 26 April 2017 respectively.

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

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

## (11) MATERIAL CONTRACTS

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

2. **Guarantees**

During the Reporting Period, all the external guarantees of the Company were in compliance with the approval procedures of the Board and/or the general meeting, and the guarantees provided by the Company to its majority-owned subsidiaries and invested companies in aggregate amounted to RMB2,992.87 million, all being guarantees for collateral liabilities, the details of which are as follows:

| No. | Guaranteed company | Shareholding proportion of the Company | Amount guaranteed by the Company (RMB'000) | Guaranteed period | Date of guarantee contract | Name of creditor |
|---|---|---|---|---|---|---|
| 1 | Liukuangruian | 51% | 100,000 | 1 year | 2017.12.29 | Bank of China, Liupanshui Branch |
| 2 | Liukuangruian | 51% | 50,000 | 1 year | 2017.12.22 | China Merchants Bank, Liupanshui Branch |
| 3 | Liukuangruian | 51% | 100,000 | 1 year | 2017.01.24 | China Minsheng Bank, Shanghai Branch |
| 4 | Shaoyang Yeafing | 65% | 200,000 | 2 years | 2017.03.22 | HSBC Bank, Hefei Branch |
| 5 | North Sulawesi Conch | 100% | 1,000,000 | 10 years | 2017.02.24 | The Export-Import Bank of China, Anhui Branch |
| 6 | North Sulawesi Conch | 100% | 588,080 (US$90 million) | 1 year | 2017.08.08 | HSBC Bank, Hefei Branch |
| 7 | Battambang Conch | 60% | 130,690 (US$20 million) | 1 year | 2017.06.23 | Bank of China, Jinbian Branch |
| 8 | Battambang Conch | 60% | 457,390 (US$70 million) | 10 years | 2017.08.28 | China Development Bank, Anhui Branch |
| 9 | Battambang Conch | 60% | 326,710 (US$50 million) | 3 years | 2017.09.22 | Sumitomo Mitsui Banking Corporation, Jakarta Branch |
| 10 | Xiangshan Cement | 40% | 40,000 | 1 year | 2017.05.31 | Industrial Bank, Wuhu Branch |
| Total | | | 2,992,870 | | | |

Notes:

(1) The Company provided a guarantee for loans granted to Xiangshan Cement on a pro rata basis in accordance with its shareholding proportion;

(2) The Company provided full guarantee for the loans granted to the 4 majority-owned subsidiaries including Liukuangruian, Shaoyang Yeafing, North Sulawesi Conch and Battambang Conch. Other minority shareholders provided equity pledge or counter-guarantee of their respective interests.

(3) The RMB-denominated amounts of the guarantees provided by the Company for the USD-denominated loans were all translated at the medium exchange rate of the US Dollar against Renminbi announced by the People's Bank of China as at the last trading day at the end of 2017;

(4) The loans guaranteed by the Company for the domestic subsidiaries as set out in the table above were all for working capital purposes. The loans guaranteed by the Company for the oversea project companies were mainly for project investment.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB2,952.87 million, and the guarantees provided by the Company for Xiangshan Cement, a joint venture, amounted to RMB40 million. Except for the guarantees for the bank loans as set out in the table above, the guarantees for the trade finance facilities granted to Shanghai Conch Construction Material International Trading Co., Ltd. was RMB716.88 million.

As at the end of the Reporting Period, the balance of external guarantees provided by the Company (including those provided for its subsidiaries) in aggregate amounted to RMB9,989.72 million, including RMB-denominated guarantee of RMB5,571.62 million and USD-denominated guarantee of US$676.15 million, representing 12.26% of the net assets of the Company as at the end of the Reporting Period, which did not exceed the limit of 50%. In particular, the balance of the guarantees provided to its subsidiaries in aggregate amounted to RMB8,951.31 million and the balance of external guarantees (being guarantees provided for its joint ventures) was RMB1,038.41 million.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries with a gearing ratio of over 70% amounted to RMB200 million.

In March 2016, Chaohu Conch, a wholly-owned subsidiary of the Company, acquired the assets and liabilities related to the cement business of Chaodong Cement, assuming its borrowings from financial institutions, which were pledged by certain lands as well as machinery and equipment of Chaodong Cement. As at the end of the Reporting Period, the aforesaid pledged borrowings was fully repaid and the pledged assets were fully released.

As at the end of the Reporting Period, save for the guarantees for three joint ventures, Sino-Myanmar International Trading Co., Ltd., PT SDIC Papua Cement Indonesia and Xiangshan Cement, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any entities which are not legal persons or individuals. Save for the guarantees as disclosed above, the Group did not provide any other guarantees and pledges, nor did the Group have any other significant contingent liabilities.

## (12) FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

### 1. Financial entrustment

During the Reporting Period, in order to increase the capital revenue, and as approved by a resolution of the Board of the Company passed on 25 January 2017, the Company was authorized to utilize its self-owned funds in the amount of RMB2.4 billion (accounted for 3.4% of the Company's audited consolidated net assets for the year ended 31 December 2015 prepared in accordance with China Accounting Standards) to purchase the wealth management product "An Xin • Ling Dong • 75 Days" issued by Agricultural Bank of China Wuhu Jinqiao Sub-branch for a term of 75 days with the expected annualized return rate of 4.2% after taking into account the liquidity and capital security. The Company fully recovered the principal of the entrusted wealth management products of RMB2.4 billion on 12 April 2017, and the net gain from the wealth management amounted to RMB20,712,300, achieving the expected target return.

As approved by a resolution of the Board of the Company passed on 20 September 2017, the Company was authorized to utilize its self-owned funds in the amount of RMB2.0 billion (accounted for 2.6% of the Company's audited consolidated net assets for the year ended 31 December 2016 prepared in accordance with China Accounting Standards) to purchase the oriented RMB wealth management product "Benlifeng" issued by Agricultural Bank of China Wuhu Jinqiao Sub-branch for a term of 6 months with the annualized return rate of 4.6% after taking into account the liquidity and capital security. The principal of the entrusted wealth management products in the amount of RMB2.0 billion were fully recovered by the Company on 20 March 2018 with the net gain from wealth management of RMB43,857,500, achieving the expected target return.

2. **Loan entrustment**

During the Reporting Period, as approved by a resolution of the Board of the Company, Jiande Conch Cement Co., Ltd., a subsidiary of the Company, was authorized to provide entrusted loan in the amount of RMB27.96 million to Jiande Chengli Building Material Co., Ltd. (being an entrusted enterprise of the Company, hereinafter referred to as "Chengli Building Material") through Shouchang Branch of Jiande Rural Commercial Bank Corporation Limited, Zhejiang Province (浙江建德農村商業銀行股份有限公司壽昌支行). Chengli Building Material pledged its assets as security and completed the registration of real estate security. The term of the loan is from 14 September 2017 to 21 October 2020 and the interest is settled on a quarterly basis with the interest rate of 6%.

## (13) CARING FOR THE UNDERPRIVILEGED

During the Reporting Period, the Group continued to fulfill its social responsibility as a large-scale enterprise by actively participating in all kinds of public welfare activities. The Group has put great efforts in helping the underprivileged by many ways including providing support for the development of impoverished areas, making donations for poor students, conducting public welfare activities in communities and extending care and relief materials to groups in difficulties, with an aim to realize value for the Company and contribute to the society.

In response to the approach and call by the Central Government to help the underprivileged, the Group encouraged and supported all subsidiaries and employees to participate in caring and poverty alleviation activities, taking actions to extend care and love for the others. During the Reporting Period, the Group proactively donated cash and relief materials for the people in impoverished areas: Chaohu Conch donated 1,000 tonnes of cement with a worth of RMB435,000 for the construction of roads and water facility in local village; Yingjiang Yunhan Cement contributed manpower, equipment and materials to erect water pipeline with a length of 3,600 meters for the local primary school, and helped the villagers repair the country road; Guangyuan Conch Cement Co., Ltd. and other subsidiaries made great efforts in poverty relief by establishing the sales network of "Conch cement direct-operated store for poverty relief" and launching the "distribution bonus (代銷分紅)" mechanism within the rural community; Liquan Conch Cement Co., Ltd. took an active part in the activity of financing impoverished college students, with cadres and staffs making generous donation to finance impoverished local students; and Zhongguo Plant, Prosperity Conch and other subsidiaries proactively initiated public welfare activities including providing community services, making donations and visiting the poor.

Details on the Group's efforts in caring for the underprivileged during the Reporting Period are set out in the 2017 Social Responsibility Report prepared by the Company, which will be published on the websites of the SSE, the Stock Exchange and the Company concurrently with this annual report.

## (14) STATEMENTS ON ENVIRONMENTAL PROTECTION OF KEY POLLUTANT DISCHARGING UNITS

In 2017, 54 subsidiaries and branch companies of the Group were included in the List of National Key Monitored Enterprises for Exhaust Emission. Details of the major pollutants discharged during the production process by such companies and the discharge status are set out in the below table:

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m$^3$) | Implemented standards for discharge of pollutants (mg/m$^3$) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Ningguo Cement Plant | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 48 | 500 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 1924 | 3985 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 232 | 711 | No |
| Tongling Conch | Sulfur dioxide | Organised | 5 | Kiln tail | 200 | GB4915-2013 | 702 | 7095 | No |
| | Nitrogen oxides | Organised | 5 | Kiln tail | 400 | GB4915-2013 | 7130 | 14190 | No |
| | Particulate matter | Organised | 5 | Kiln head and tail | 30 | GB4915-2013 | 625 | 2411 | No |
| Baimashan Cement Plant | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 79 | 1187 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2222 | 2375 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 156 | 473 | No |
| Anhui Digang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 5 | Kiln tail | 200 | GB4915-2013 | 842 | 1255 | No |
| | Nitrogen oxides | Organised | 5 | Kiln tail | 400 | GB4915-2013 | 5087 | 6150 | No |
| | Particulate matter | Organised | 5 | Kiln head and tail | 30 | GB4915-2013 | 766 | 1154 | No |
| Zongyang Conch | Sulfur dioxide | Organised | 6 | Kiln tail | 200 | GB4915-2013 | 139 | 4950 | No |
| | Nitrogen oxides | Organised | 6 | Kiln tail | 400 | GB4915-2013 | 6873 | 9900 | No |
| | Particulate matter | Organised | 6 | Kiln head and tail | 30 | GB4915-2013 | 261 | 1546 | No |
| Chizhou Conch | Sulfur dioxide | Organised | 7 | Kiln tail | 200 | GB4915-2013 | 759 | 6270 | No |
| | Nitrogen oxides | Organised | 7 | Kiln tail | 400 | GB4915-2013 | 10040 | 12540 | No |
| | Particulate matter | Organised | 7 | Kiln head and tail | 30 | GB4915-2013 | 816 | 1941 | No |

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Anhui Huaining Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 530 | 1550 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2984 | 3100 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 209 | 621 | No |
| Anhui Xuancheng Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 1086 | 1125 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2623 | 3100 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 565 | 617 | No |
| Wuhu Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 6 | Kiln tail | 200 | GB4915-2013 | 3236 | 6920 | No |
| | Nitrogen oxides | Organised | 6 | Kiln tail | 400 | GB4915-2013 | 9178 | 13840 | No |
| | Particulate matter | Organised | 6 | Kiln head and tail | 30 | GB4915-2013 | 900 | 2344 | No |
| Suzhou Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 200 | 240 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2786 | 3300 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 137 | 700 | No |
| Quanjiao Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 165 | 300 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 1632 | 3300 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 115 | 691 | No |
| Chaohu Conch | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 1563 | 2475 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 3798 | 4950 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 234 | 869 | No |
| Zhongguo Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 172 | 588 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 1342 | 3587 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 100 | 690 | No |

## 6. Significant Events

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration ($mg/m^3$) | Implemented standards for discharge of pollutants ($mg/m^3$) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Jiande Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 100 | GB4915-2013 | 132 | 300 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 320 | GB4915-2013 | 2181 | 3208 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 20 | GB4915-2013 | 50 | 355 | No |
| Fenyi Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 20 | 1027 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 459 | 1751 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 30 | 355 | No |
| Yiyang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 58 | 300 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 2328 | 4050 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 120 | 832 | No |
| Ganzhou Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 65 | 235 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 2548 | 2641 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 135 | 813 | No |
| Prosperity Conch | Sulfur dioxide | Organised | 4 | Kiln tail | 100 | DB44/818-2010 | 489 | 640 | No |
| | Nitrogen oxides | Organised | 4 | Kiln tail | 320 | DB44/818-2010 | 3766 | 6590 | No |
| | Particulate matter | Organised | 4 | Kiln head and tail | 30 | DB44/818-2010 | 393 | 1550 | No |
| Guangdong Qingxin Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 100 | DB44/818-2010 | 109 | 320 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 320 | DB44/818-2010 | 1739 | 3808 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | DB44/818-2010 | 128 | 750 | No |
| Yangchun Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 100 | DB44/818-2010 | 295 | 530 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 320 | DB44/818-2010 | 2103 | 3548 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | DB44/818-2010 | 532 | 1207 | No |

## 6. Significant Events

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Xing'an Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 62 | 300 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2311 | 2476 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 167 | 559 | No |
| Xingye Kuiyang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 35 | 121 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2660 | 2673 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 196 | 1037 | No |
| Fusui Xinning Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 60 | 181 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 3710 | 3713 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 253 | 605 | No |
| Beiliu Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 44 | 80 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2489 | 2525 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 207 | 600 | No |
| Long'an Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 9 | 40 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 1015 | 1240 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 66 | 267 | No |
| Shuangfeng Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 23 | 476 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2790 | 2947 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 136 | 675 | No |
| Hunan Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 136 | 404 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2418 | 2880 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 379 | 646 | No |

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Shimen Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 98 | 450 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2207 | 3074 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 76 | 689 | No |
| Qiyang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 456 | 462 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 1747 | 2188 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 467 | 936 | No |
| Jianghua Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 12 | 234 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 1329 | 1350 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 39 | 330 | No |
| Shaoyang Yeafing | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 154 | 160 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 680 | 1395 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 47 | 272 | No |
| Hunan Yeafing Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 30 | 67 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 573 | 600 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 19 | 145 | No |
| Hunan Yiyang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 31 | 235 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 1445 | 1450 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 36 | 327 | No |
| Lianyuan Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 34 | 151 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 1107 | 1440 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 60 | 340 | No |

## 6. Significant Events

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Linxiang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 126 | 150 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 803 | 1200 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 288 | 300 | No |
| Guangyuan Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 19 | 343 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 715 | 3285 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 123 | 700 | No |
| Dazhou Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 151 | 284 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 1726 | 2970 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 220 | 590 | No |
| Chongqing Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | DB50/656-2016 | 899 | 2252 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 350 | DB50/656-2016 | 3306 | 3941 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | DB50/656-2016 | 361 | 875 | No |
| Liangping Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | DB50/656-2016 | 134 | 792 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 350 | DB50/656-2016 | 1090 | 1386 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | DB50/656-2016 | 217 | 340 | No |
| Linxia Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 6 | 1320 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 314 | 2640 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 23 | 490 | No |
| Pingliang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 182 | 1515 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2257 | 3030 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 135 | 646 | No |

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Guiyang Conch Panjiang Cement Co., Ltd. | Sulfur dioxide | Organised | 3 | Kiln tail | 200 | GB4915-2013 | 464 | 706 | No |
| | Nitrogen oxides | Organised | 3 | Kiln tail | 400 | GB4915-2013 | 3013 | 3902 | No |
| | Particulate matter | Organised | 3 | Kiln head and tail | 30 | GB4915-2013 | 268 | 985 | No |
| Zunyi Conch Panjiang Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 313 | 1815 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2254 | 3630 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 250 | 908 | No |
| Tongren Conch Panjiang Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 105 | 1485 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2282 | 2970 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 432 | 632 | No |
| Guiding Conch Panjiang Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 200 | GB4915-2013 | 482 | 1559 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 400 | GB4915-2013 | 2534 | 3119 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 30 | GB4915-2013 | 200 | 660 | No |
| Liquan Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 2 | Kiln tail | 100 | DB61/941-2014 | 45 | 398 | No |
| | Nitrogen oxides | Organised | 2 | Kiln tail | 320 | DB61/941-2014 | 1278 | 2120 | No |
| | Particulate matter | Organised | 2 | Kiln head and tail | 20 | DB61/941-2014 | 34 | 363 | No |
| Qianyang Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB61/941-2014 | 21 | 306 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 320 | DB61/941-2014 | 565 | 980 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB61/941-2014 | 42 | 171 | No |
| Baoji Zhongxi Jinlinghe Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB61/941-2014 | 146 | 276 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 320 | DB61/941-2014 | 804 | 882 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB61/941-2014 | 33 | 145 | No |

| Name of companies | Name of major pollutants and special types of pollutants | Discharge mode | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration (mg/m³) | Implemented standards for discharge of pollutants (mg/m³) | Total amount of discharge (tonne) | Approved total amount of discharge (tonne) | Excessive discharge |
|---|---|---|---|---|---|---|---|---|---|
| Qianxian Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB61/941-2014 | 31 | 200 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 320 | DB61/941-2014 | 673 | 1364 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB61/941-2014 | 33 | 203 | No |
| Baoji Zhongxi Fenghuangshan Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB61/941-2014 | 26 | 221 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 320 | DB61/941-2014 | 679 | 882 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB61/941-2014 | 21 | 147 | No |
| Shaanxi Phoenix Building Materials | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB61/941-2014 | 21 | 309 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 320 | DB61/941-2014 | 386 | 990 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB61/941-2014 | 12 | 181 | No |
| Jining Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 100 | DB37/2376-2013 | 18 | 276 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 300 | DB37/2376-2013 | 757 | 827 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 20 | DB37/2376-2013 | 37 | 207 | No |
| Kunming Conch Cement Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 35 | 62 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 442 | 775 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 17 | 79 | No |
| Hami Hongyi Construction Material Co., Ltd. | Sulfur dioxide | Organised | 1 | Kiln tail | 200 | GB4915-2013 | 5 | 45 | No |
| | Nitrogen oxides | Organised | 1 | Kiln tail | 400 | GB4915-2013 | 331 | 750 | No |
| | Particulate matter | Organised | 1 | Kiln head and tail | 30 | GB4915-2013 | 12 | 153 | No |

## 6. Significant Events

During the Reporting Period, the Group further strengthened its environmental protection management by increasing investment in environmental protection, strictly complying with laws and regulations in relation to environmental protection, closely monitoring the environmental indicators of its subsidiaries through its online environmental monitoring system at the headquarters as well as planning and implementing technology improvement for environmental protection and energy conservation at the subsidiary level. The Group implemented compound desulphurization modification on certain production lines and established a pilot plan for the development and application of wet desulphurization technology, with a view to further optimise the complementary application of the staged combustion and SNCR denitration technologies. Meanwhile, the Group made great efforts in the development of the demonstration project for capture and purification of the $CO_2$ in cement kiln flue gas and the advanced environmental protection technologies such as SCR denitration. As at the end of the Reporting Period, we completed the upgrade and modification of low-$NO_X$ combustion, SNCR denitration treatment and electric dust collectors on all production lines in the subsidiaries. Coupled with the completion of desulphurization technological modification on 20 production lines, all production lines have met the emission standards.

For all the projects under construction of the Group, we have completed the environment impact assessment pursuant to relevant requirements, and have obtained the approval documents. The Group has developed and implemented the self-monitoring program in strict compliance with the relevant requirements of the emission permit system and self-monitoring technical guidance. In order to strictly comply with the requirements of the Emergency Response Law of the People's Republic of China and Interim Measures for the Administration of Environmental Emergency Response Plan (《突發環境事件應急預案管理暫行辦法》) and other laws and regulations and relevant documents, each subsidiary of the Group has formulated its environmental emergency response plan and filed the same with the environmental protection departments to prevent, alert and respond to environmental emergency incidents or various environmental emergency issues in relation to or arising from production safety, enabling these companies to take actions in a quick, orderly and efficient manner to reduce damages upon occurrence of any environmental pollution incidents (accidents), thereby safeguarding the public and protecting the environment.

# 7. Changes in Shares and Shareholders

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

(Unit: Share)

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

## (2) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2017

| | A Share/RMB | H Share/HK$ |
|---|---|---|
| Opening price on the first trading day of the year | 16.95 | 20.85 |
| Closing price on the last trading day of the year | 29.33 | 36.75 |
| Highest trading price during the year | 31.92 | 39.10 |
| Lowest trading price during the year | 16.87 | 20.75 |

## (3) SHAREHOLDERS

1. As at 31 December 2017, the total number of registered shareholders was 76,040, of which 106 were registered holders of H Shares. As at 28 February 2018, the total number of registered shareholders was 87,082, of which 96 were registered holders of H Shares.

## 2. As at 31 December 2017, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

| | Name of shareholder | Nature of shareholder | Number of shares held at the end of the Reporting Period (share) | Percentage of shareholding (%) | Class of shares | Pledged or frozen Status | Pledged or frozen Number of shares (Share) |
|---|---|---|---|---|---|---|---|
| 1. | Conch Holdings (Note 1) | State-owned legal person | 1,928,870,014 | 36.40 | A Share | | |
| 2. | HKSCC Nominees Limited (Note 2) | Foreign legal person | 1,298,207,634 | 24.50 | H Share | | |
| 3. | Conch Venture (Note 1) | Domestic non-state-owned legal person | 248,447,888 | 4.69 | A Share | Pledged | 45,000,000 |
| 4. | China Securities Finance Corporation Limited | State-owned legal person | 210,090,110 | 3.96 | A Share | | |
| 5. | Hong Kong Securities Clearing Company Limited | Foreign legal person | 136,236,371 | 2.57 | A Share | | |
| 6. | Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司) | State-owned legal person | 70,249,600 | 1.33 | A Share | | |
| 7. | Bank Negara Malaysia | Others | 31,852,495 | 0.60 | A Share | | |
| 8. | FIL Investment Management (Hong Kong) Limited – Customer Funds | Others | 23,061,806 | 0.44 | A Share | | |
| 9. | GIC PRIVATE LIMITED | Others | 18,550,800 | 0.35 | A Share | | |
| 10. | T. Rowe Price – Customer Funds | Others | 16,535,547 | 0.31 | A Share | | |

Notes:

(1) During the Reporting Period, Conch Holdings decreased its shareholding in the Company by 19,999,913 shares, representing approximately 0.38% of the total share capital of the Company, details of which were set out in the announcement of the Company dated 1 December 2017 published on the SSE's website; Conch Venture and its concert party Conch Property decreased their shareholdings in the Company by 49,999,928 shares, representing approximately 0.94% of the total share capital of the Company, details of which were set out in the announcement of the Company dated 21 November 2017 published on the SSE's website. The shares held by Conch Holdings were not subject to any pledge, freezing order or trust. 45,000,000 shares of the Company held by Conch Venture were pledged to Guoyuan Securities Company Limited during the Reporting Period for a term of one year, details of which were set out in the announcement of the Company dated 2 June 2017 published on the SSE's website.

(2) As at 31 December 2017, HKSCC Nominees Limited held 1,298,207,634 H Shares of the Company, representing 24.50% of the total share capital of the Company, and 99.89% of the total number of H Shares issued by the Company.

(3) All the above shares are tradable shares not subject to trading restrictions.

(4) The Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

**3.** As at 31 December 2017, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (references to Directors or chief executive in this paragraph include Supervisors):

| Name of shareholder | Number of shares held | Capacity | Percentage of shareholding of the relevant class of shares |
|---|---|---|---|
| Conch Holdings | 1,928,870,014 A Shares (long position) (Note 1) | Beneficial owner/ Interest of a controlled corporation | 48.23% (Note 2) |
| Anhui Provincial Investment Group Holdings Co., Ltd. | 1,928,870,014 A Shares (long position) (Note 1) | Interest of a controlled corporation | 48.23% (Note 2) |
| CCVH | 1,928,870,014 A Shares (long position) (Note 1) | Interest of a controlled corporation | 48.23% (Note 2) |
| Conch Venture | 248,447,888 A Shares (long position) (Note 1) | Interest of a controlled corporation/ Beneficial owner | 6.21% (Note 2) |
| JPMorgan Chase & Co. | 117,334,560 H Shares (long position) (Note 4) | Beneficial owner/ Investment manager/ Trustee/Approved lending agent | 9.02% (Note 3) |



# 7. Changes in Shares and Shareholders

| Name of shareholder | Number of shares held | Capacity | Percentage of shareholding of the relevant class of shares |
|---|---|---|---|
| JPMorgan Chase & Co. | 16,165,342 H Shares (short position) (Note 4) | Beneficial owner | 1.24% (Note 3) |
| Taiwan Cement Corporation | 116,568,000 H Shares (long position) (Note 5) | Interest of a controlled corporation | 8.97% (Note 3) |
| BlackRock, Inc. | 78,008,312 H Shares (long position) (Note 6) | Interest of a controlled corporation | 6.00% (Note 3) |
| BlackRock, Inc. | 2,103,500 H Shares (short position) (Note 6) | Interest of a controlled corporation | 0.16% (Note 3) |
| Aggregate of Standard Life Aberdeen plc affiliated investment management. | 77,083,546 H Shares (long position) (Note 7) | Investment manager | 5.93% (Note 3) |
| Schroders Plc | 67,328,500 H Shares (long position) (Note 8) | Investment manager | 5.18% (Note 3) |

## 7. Changes in Shares and Shareholders

Notes:

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

248,447,888 A Shares held by Conch Venture were all held by Conch Venture directly.

(2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.

(3) The total number of H Shares in issue was 1,299,600,000 shares.

(4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 15 December 2017 in respect of the relevant event that occurred on 12 December 2017, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 117,334,560 H Shares (long position) held by JPMorgan Chase & Co., 21,714,815 Shares were held in the capacity of beneficial owner; 19,598,640 Shares in the capacity of investment manager; 22,360 H Shares in the capacity of trustee; and 75,998,745 Shares (securities in lending pool) in the capacity of approved lending agent.

(5) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.

(6) Based on the disclosure of interests form submitted by BlackRock, Inc. on 28 December 2017 in respect of the relevant event that occurred on 22 December 2017, these shares were held through certain subsidiaries of BlackRock, Inc..

(7) Based on the disclosure of interests form submitted by Aggregate of Standard Life Aberdeen Plc affiliated investment management. on 17 November 2017 in respect of the relevant event that occurred on 14 November 2017, these shares were held through certain subsidiaries of Standard Life Aberdeen Plc..

(8) Based on the disclosure of interests form submitted by Schroders Plc on 23 October 2017 in respect of the relevant event that occurred on 18 October 2017, these shares were held through certain subsidiaries of Schroders Plc.

Save for the aforesaid shareholders, as at 31 December 2017, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.



**4. Information on the controlling shareholder of the Company**

| | | |
|---|---|---|
| Name in English | : | Anhui Conch Holdings Co., Ltd. |
| Legal representative | : | Gao Dengbang |
| Date of establishment | : | 7 November 1996 |
| Registered capital | : | RMB800 million |
| Principal business activities | : | Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products (excluding hazardous products), electronic apparatus and instruments, production and sale of ordinary machinery and equipment, electricity, transportation, warehousing, construction project, import and export trading, mineral products (operated by subsidiaries), metal materials, craftwork, sale of general merchandise, property management, development of technological products, technical support services, printing, contracting of overseas building materials project and domestic and international bidding projects, and dispatch of service personnel for implementing the above overseas projects. |

As at the end of the Reporting Period, Conch Holdings was also the controlling shareholder of Conch Profiles and Science with an equity shareholding of 30.63%. During the Reporting Period, there was no change in the controlling shareholder of the Company.

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

Anhui Provincial Investment Group is a wholly state-owned company with limited liability under the State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2017, the shareholding relationship structure among Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:


**6. Public float**

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

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

During the year ended 31 December 2017, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## (5) ISSUE OF PREFERENCE SHARES AND PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2017, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at the end of the Reporting Period, the Group had no redeemable securities.

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

During the year ended 31 December 2017, holders of the Company's listed securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

# 8. Directors, Supervisors, Senior Management and Staff

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

### Existing Directors and Supervisors

| Name | Position | Gender | Age | Tenure |
|---|---|---|---|---|
| Gao Dengbang | Chairman and Executive Director | Male | 57 | 2 June 2016 – 1 June 2019 |
| Yang Mianzhi | Independent non-executive Director | Male | 49 | 2 June 2016 – 1 June 2019 |
| Tai Kwok Leung | Independent non-executive Director | Male | 61 | 28 May 2013 – 1 June 2019 |
| Leung Tat Kwong Simon | Independent non-executive Director | Male | 58 | 2 June 2016 – 1 June 2019 |
| Wang Jianchao | Deputy Chairman and Executive Director | Male | 54 | 21 August 2015 – 1 June 2019 |
| Wu Bin | Executive Director | Male | 53 | 2 June 2016 – 1 June 2019 |
| Ding Feng | Executive Director | Male | 46 | 2 June 2016 – 1 June 2019 |
| Zhou Bo | Executive Director | Male | 42 | 28 May 2013 – 1 June 2019 |
| Wu Xiaoming | Chairman of Supervisory Committee | Male | 55 | 10 October 2017 – 1 June 2019 |
| Wang Pengfei | Supervisor | Male | 56 | 2 June 2015 – 1 June 2019 |
| Wang Chunjian | Staff representative Supervisor | Male | 49 | 23 March 2015 – 1 June 2019 |

### Existing Senior Management

| Name | Position | Gender | Age | Date of appointment |
|---|---|---|---|---|
| Wu Bin | General manager | Male | 53 | 21 August 2015 |
| Li Qunfeng | Deputy general manager | Male | 47 | 23 March 2015 |
| Li Xiaobo | Deputy general manager | Male | 48 | 23 March 2015 |
| Ke Qiubi | Deputy general manager | Male | 55 | 28 June 2017 |
| Li Leyi | Chief engineer of technical art | Male | 56 | 26 March 2012 |
| Zhou Bo | Chief accountant and secretary to the Board | Male | 42 | 22 March 2013/8 August 2017 |
| Xia Xiaoping | Deputy chief accountant | Male | 60 | 22 March 2013 |
| Yu Shui | Assistant to general manager | Male | 42 | 27 October 2017 |
| Wu Tiejun | Assistant to general manager | Male | 38 | 27 October 2017 |
| Chiu Pak Yue, Leo | Company secretary (Hong Kong) | Male | 55 | 29 August 2000 |



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

**Resigned Supervisors and Senior Management During the Reporting Period**

| Name | Position before resignation | Gender | Age | Date of resignation |
|---|---|---|---|---|
| Qi Shengli | Chairman of Supervisory Committee | Male | 53 | 30 June 2017 |
| Ding Feng | Deputy general manager | Male | 46 | 28 June 2017 |
| Chen Yongbo | Assistant to general manager | Male | 53 | 27 October 2017 |
| Yang Kaifa | Secretary to the Board | Male | 44 | 28 June 2017 |

Note: Mr. Qi Shengli resigned after the appointment of the new supervisor on the first extraordinary general meeting of 2017 held on 10 October 2017.

**Information of shares of the Company held or traded by existing Directors, Supervisors and senior management members and resigned Directors, Supervisors and senior management members during the Reporting Period:**

| Name | Position | Number of shares held as at 31 December 2016 (share) | Number of shares sold during the Reporting Period (share) | Number of shares held as at 31 December 2017 (share) |
|---|---|---|---|---|
| Li Xiaobo | Deputy general manager | 193,000 | – | 193,000 |
| Ke Qiubi | Deputy general manager | 504,445 | 126,000 | 378,445 |
| Xiao Xiaoping | Deputy chief accountant | 115,000 | – | 115,000 |
| Chen Yongbo | Assistant to general manager (resigned) | 12,000 | – | 12,000 |

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

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

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

| Name | Positions held in Conch Holdings | Tenure |
|---|---|---|
| Gao Dengbang | Chairman | From November 2015 to Present |
| Wang Jianchao | Director and Deputy general manager | From May 2013 to Present |
| Wu Xiaoming | Secretary of the disciplinary committee | From February 2017 to Present |
| Wang Pengfei | Deputy general manager | From May 2013 to Present |
| Wang Chunjian | Director of the organisation and human resource department | From September 2015 to Present |
| Ding Feng | Chief economist and Deputy chief accountant | From June 2017 to Present |
| | Head of the strategic planning department | From March 2016 to Present |
| Xia Xiaoping | Head of the audit department | From March 2016 to Present |

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

| Name | Positions held in other entities |
|---|---|
| Wu Xiaoming | Chairman of Supervisory Committee of Conch Profiles and Science |
| Wang Pengfei | Director of Conch Profiles and Science |
| Wang Chunjian | Director of Conch Investment Company |
| Ding Feng | ① Supervisor of Conch Profiles and Science |
| | ② Director and general manager of Conch Investment Company |
| | ③ Chairman of Anhui Conch Power Selling Co., Ltd. ("Conch Power Selling") under SPIC Group |
| | ④ Director of Anhui Conch Clean Energy Co., Ltd. ("Conch Clean Energy") under SPIC |
| | ⑤ Director of Anhui Guofu Industry Investment Fund Management Co., Ltd. |
| Li Qunfeng | Director of Conch Investment Company |
| Li Xiaobo | ① Director of Conch Investment Company |
| | ② Director of Conch Power Selling |
| | ③ Director of Conch Clean Energy |

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

### BIOGRAPHY OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### EXECUTIVE DIRECTORS

Mr. **Gao Dengbang**, Chairman and an executive Director of the Company. Mr. Gao graduated from Huainan Mining Institute and also holds a doctor's degree in management from Hefei University of Technology. Since 1982, Mr. Gao had engaged in technological and corporate management work in Anhui Huaibei Mining Bureau. Since 1995, Mr. Gao had held various key managerial positions including deputy secretary and secretary of Anhui Provincial Committee of the Communist Youth League, secretary of Xuancheng Municipal Committee, mayor of Xuancheng Municipal Government, secretary of Wuhu Municipal Committee and chairman of the Standing Committee of Wuhu Municipal People's Congress. Mr. Gao has not only extensive experience in corporate management, but also the ability to lead the long-term development of local economy.

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

Mr. **Wu Bin,** an executive Director, general manager of the Company and senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1983. Mr. Wu held various positions such as deputy head of sales department of Baimashan Cement Plant, deputy director and director of sales department of the Company, officer-in-charge of the Regional Committee in Guangxi, officer-in-charge of the Regional Committee in northern Anhui, and assistant to general manager and deputy general manager of the Company. Mr. Wu has extensive management experience in corporate management and sales marketing. Mr. Wu was elected as a member of the 13th session of the People's Congress of Anhui Province in January 2018.

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. **Tai Kwok Leung,** an independent non-executive Director of the Company. Mr. Tai received a bachelor's degree in commerce and administration from Victoria University of Wellington, New Zealand. Mr. Tai is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and New Zealand Institute of Chartered Accountants. He has extensive experience in accounting, corporate finance and investment in Hong Kong and overseas. Mr. Tai is currently a partner and officer-in-charge of corporate finance department of VMS Securities Limited. Mr. Tai currently also serves as an independent non-executive director of Luk Fook Holdings (International) Limited (a company listed on the Main Board of the Stock Exchange (stock code: 590)), Jiayuan International Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2768)) and G & M Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6038)) respectively. Mr. Tai was elected as a member of the 12th session of Shandong Committee of Chinese People's Political Consultative Conference in January 2018.



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

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

### SUPERVISORS

Mr. **Wu Xiaoming,** chairman of the Supervisory Committee of the Company. Mr. Wu graduated from Nanchang Army College, and assumed certain positions including the staff officer and deputy director of Operation Office II of Warfare Department of Nanjing Military Command, chief of staff of Anqing military division of Anhui Province, the standing committee member of Xuancheng Municipal Party Committee and the commander of the military division, as well as the standing committee member of Wuhu Municipal Party Committee and the commander of the military division. Mr. Wu joined Conch Holdings in 2017 and is currently a member of the Party Committee and secretary of the disciplinary Committee of Conch Holdings and the chairman of the supervisory of Conch Profiles and Science.

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

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

## SENIOR MANAGEMENT

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

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

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

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



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

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

Mr. **Yu Shui,** assistant to general manager of the Company, assistant economist. Mr. Yu graduated from Anhui University, majoring in economics. Mr. Yu joined the Group in 1997 and has held various positions such as deputy director of the control room of the sales department, assistant to director, deputy director and executive deputy director of the sales department, executive deputy general manager of each of Bengbu Conch, Huainan Conch and Changfeng Conch, general manager of Kalimantan Conch, and deputy officer-in-charge of Regional Committee in northern Anhui. He has extensive management experience in marketing. Mr. Yu is now also the director of the Company's sales department.

Mr. **Wu Tiejun,** assistant to general manager of the Company, engineer. Mr. Wu graduated from Wuhan University of Technology and joined the Group in 2001. He has held various positions such as assistant to general manager, deputy general manager, executive deputy general manager and general manager of Chizhou Conch, general manager of Prosperity Conch, and executive deputy director of Regional Committee in northern Guangdong. He is well experienced in production and operation management. Mr. Wu is now also the officer-in-charge of Regional Committee in northern Guangdong and head of the safety production and environmental protection department of the Company.

### SECRETARY TO THE BOARD (COMPANY SECRETARY)

Mr. **Zhou Bo**, please refer to the biography of "Executive Directors" above.

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

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

During the Reporting Period, Mr. Ding Feng resigned as deputy general manager of the Company due to work requirement, Mr. Chen Yongbo resigned as assistant to general manager of the Company due to work requirement, and Mr. Yang Kaifa resigned as secretary to the Board of the Company due to work requirement. The Board has carefully considered and approved the resignations of these three senior management personnel, and would like to extend its heartfelt gratitude to the aforesaid senior management for their positive contribution to the development of the Company during their tenure of office!

Based on the recommendation of the Remuneration and Nomination Committee under the Board of the Company, the Board agreed to appoint Mr. Ke Qiubi as deputy general manager of the Company on 28 June 2017; and the Board agreed to appoint Mr. Zhou Bo as secretary to the Board of the Company on 8 August 2017. Due to the management requirement of the Company, as well as to strengthen the training of junior management, the Board agreed to appoint Mr. Yu Shui and Mr. Wu Tiejun as assistants to general manager of the Company on 27 October 2017.

During the Reporting Period, Mr. Qi Shengli has submitted his resignation as supervisor and chairman of the Supervisory Committee of the Company due to work requirement. The Company would like to extend its heartfelt gratitude to Mr. Qi Shengli for his positive contribution to the Company during his tenure of office. As approved at the first extraordinary general meeting of the Company in 2017 held on 10 October 2017, Mr. Wu Xiaoming was appointed as supervisor of the seventh session of the Supervisory Committee of the Company. The fifth meeting of the seventh session of the Supervisory Committee that was held on the same day and Mr. Wu Xiaoming was unanimously elected as the chairman of the seventh session of the Supervisory Committee of the Company.

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

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

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



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

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

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

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

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

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

### 1. Decision-making process and basis for determining remuneration

The Remuneration and Nomination Committee under the Board is responsible for determining the remuneration policy and the remuneration proposals of Directors and senior management of the Company with reference to its written terms of reference. The remuneration of Directors and Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details on the decision procedure and determination basis for the remuneration of senior management of the Company, please refer to the paragraph headed "(4) Establishment and Implementation of an Appraisal and Incentive Mechanism for Senior Management" under the section headed "9. Corporate Governance" of this annual report.

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

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

(Unit: RMB)

| Name | Position | Remuneration/ Allowance before-tax |
|---|---|---|
| Gao Dengbang | Chairman and executive Director | 0 |
| Wang Jianchao | Deputy Chairman and executive Director | 614,993 |
| Wu Bin | Executive Director and general manager | 1,446,557 |
| Ding Feng | Executive Director | 133,581 |
| Zhou Bo | Executive Director, chief accountant and secretary to the Board | 1,387,084 |
| Yang Mianzhi | Independent non-executive Director | 141,176 |
| Tai Kwok Leung | Independent non-executive Director | 141,176 |
| Leung Tat Kwong Simon | Independent non-executive Director | 141,176 |
| Wu Xiaoming | Chairman of Supervisory Committee | 0 |
| Wang Pengfei | Supervisor | 0 |
| Wang Chunjian | Staff representative Supervisor | 0 |
| Li Qunfeng | Deputy general manager | 1,389,547 |
| Li Xiaobo | Deputy general manager | 1,328,846 |
| Ke Qiubi | Deputy general manager | 1,296,767 |
| Li Leyi | Chief engineer of technical art | 1,333,986 |
| Xia Xiaoping | Deputy chief accountant | 1,215,836 |
| Yu Shui | Assistant to general manager | 1,018,548 |
| Wu Tiejun | Assistant to general manager | 986,667 |

Note:

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

2. During the Reporting Period, Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon did not receive any remuneration from the Company and will not request the Company for payment of remuneration for the Reporting Period. The amounts listed in the above table are allowances paid by the Company to them.

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

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

5. The remuneration of Mr. Ding Feng was paid by the Company for the period in which he served as a deputy general manager. He didn't receive any remuneration from the Company after resigning as a deputy general manager.

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

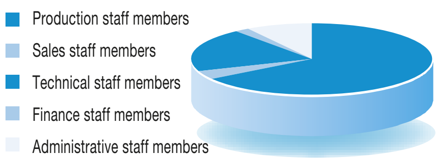
During the Reporting Period, the resigned assistant to general manager Mr. Chen Yongbo (holding other positions in the Company after resignation) received the remuneration in an amount of RMB1,246,666 (tax inclusive), the resigned secretary to the Board Mr. Yang Kaifa received the remuneration in an amount of RMB153,293 (tax inclusive), while the resigned chairman of Supervisory Committee Mr. Qi Shengli did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration for the Reporting Period.

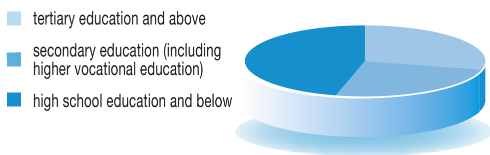
## (6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, all of the five highest paid individuals of the Group are senior management of the Company. For details of their remuneration, please refer to the above section headed "(5) Remuneration of Directors, Supervisors and Senior Management for the Year" and note 9 to the financial statements prepared in accordance with the IFRSs in this annual report.

## (7) EMPLOYEES

As at 31 December 2017, there were 42,915 staff members under the employment of the Group, of which 26,685 were production staff members, 1,858 were sales staff members, 9,632 were technical staff members, 942 were finance staff members, 3,798 were administrative and management staff members. 12,696 of them received tertiary education and above, 9,098 had secondary education (including higher vocational education), and 21,121 received high school education and below. The professional structure and education background of the employees are set out below:




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

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

In relation to training, the Group provided multi-level training programmes, with an aim to enhancing the management capability of the leaders and strengthening the professional skills and safety awareness of the staff. During the Reporting Period, the Group further improved its training management systems at its head office, regional entities and subsidiaries, enhanced the duty-performing capabilities of its professional departments and regional professional teams. Leveraging on the training resources of domestic universities, the headquarters of the Group provided off-the-job training for the cadres, thus effectively improving all the cadres' ability in production, operation and management. Meanwhile, efforts were made by each regional branch to strengthen trainings for middle management staff by providing various forms of training including outward development training and internal seminar exchange, so as to improve the professional management capability of the middle management staff. The Group explored the establishment of a new pre-job training mechanism for graduates from universities and colleges by organising the first session of the "Conch Cement Talent Fostering Plan" – a pre-job training class for graduates from major universities and colleges, achieving satisfactory results and offering good reference for the standardisation of graduate pre-job training of regional subsidiaries. The Group also strived to innovate the cultivation mode for foreign employees and summed up experience of foreign cadres cultivation. Through careful planning, the Group organized training for Cambodian employees in the PRC, enabling Cambodian employees to complete cultural knowledge and professional theoretical knowledge education and position-based operation training, achieving remarkable training results.

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

### (8) PENSION INSURANCE

Details of the pension insurance are set out in Note 7 to the financial statements prepared in accordance with the IFRSs. Pension recorded in the income statement of the Group for the year ended 31 December 2017 amounted to RMB424.13 million.

### (9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2017, the total housing welfare fund paid by the Group amounted to approximately RMB306.67 million.

# 9. Corporate Governance

## (1) CORPORATE GOVERNANCE

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

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

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

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

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



## 9. Corporate Governance

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

On 31 May 2017, the 2016 annual general meeting of the Company was held in the conference room of the Company. For details on the resolutions passed at the general meeting, please refer to the relevant announcement published on the websites of the Stock Exchange and the Company on 31 May 2017 and the announcement published on the website of the SSE on 1 June 2017.

On 10 October 2017, the first extraordinary general meeting of the Company for the year 2017 was held in the conference room of the Company. For details on the resolutions passed at the extraordinary general meeting, please refer to the relevant announcement published on the websites of the Stock Exchange and the Company on 10 October 2017 and the announcement published on the website of the SSE on 11 October 2017.

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

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

During the Reporting Period, the three independent non-executive Directors of the Company (i.e. Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon) have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Written Terms of Reference of the Remuneration and Nomination Committee and the Written Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and shareholders' meetings convened in 2017, held various specialized committee meetings, attended on a timely basis the reporting by the Company's management on production and operations and significant events for 2017, conducted on-site visits to the Company's production sites, participated in the major decisions made by the Company, and exercised their professional skills to provide reasonable advice and recommendations about the operations and development of the Company from a professional point of view. The Company paid great regard to and adopted the relevant recommendations made by each of the independent non-executive Directors, and lawfully safeguarded the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions for the year ended 31 December 2017, and expressed their independent views on the above matters.

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

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

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

## (5) CORPORATE GOVERNANCE

### 1. Corporate Governance Code and Corporate Governance Report

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

### 2. Securities transactions by Directors

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

### 3. The Board

As at 31 December 2017, composition of the Board of the Company is as follows:

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

There was no financial, business, family or other material relationship between members of the Board and between the Chairman and the chief executive officer.

During the Reporting Period, two physical meetings of the Board of the Company were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 44 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

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

Note: Mr. Gao Dengbang did not physically attend the third meeting of the seventh session of the Board of the Company held on 23 March 2017 due to business trip, and Mr. Wang Jianchao was appointed and authorised to attend and preside over the meeting as well as to vote on his behalf.

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

**4. Directors' Continuous Training and Development**

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

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

For the year ended 31 December 2017, all Directors had participated in continuous professional development training.

**5. Chairman and Chief Executive Officer**

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

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

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

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

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

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

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

Pursuant to the HKSE Listing Rules, the Board of the Company has established a remuneration and nomination committee under the Board, which is principally responsible for formulating the remuneration policy for the Directors and senior management of the Company, determining the remuneration package for each of the Directors and senior management, assessing performance of executive directors and approving the terms of executive directors' service contracts, developing the succession plan of the Directors and determining the policy for the nomination of Directors. The Remuneration and Nomination Committee is a non-standing committee under the Board, which is accountable to the Board.

The Remuneration and Nomination Committee regularly review the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or on an "as needed" basis. Candidates of Directors are identified and recommended based on their working experience, professional expertise and commitment.

During the Reporting Period, the Remuneration and Nomination Committee of the Board of the Company comprised five members, namely Mr. Tai Kwok Leung, Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon, Mr. Wang Jianchao and Mr. Wu Bin, with Mr. Tai Kwok Leung acting as the chairman.

During the Reporting Period, the Remuneration and Nomination Committee of the Board held one meeting. The meeting was held on 23 March 2017 and was attended by all of the committee members, at which the committee considered and approved: (i) remuneration of the senior management of the Company for year 2016 and the remuneration appraisal targets of the senior management of the Company for year 2017; and (ii) review of and agreement with the structure, number of members and composition of the Board for the time being.

The Remuneration and Nomination Committee of the Board reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2017 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

For details of the remuneration policy of the Directors and Supervisors, please refer to the above sub-paragraph headed "1. Decision-making process and basis for determining remuneration" in paragraph (5) of chapter 8 "Directors, Supervisors, Senior Management and Staff" in this report.

**8. Audit Committee of the Board**

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

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

During the Reporting Period, the Audit Committee of the Board comprised three members, namely Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon, with Mr. Yang Mianzhi acting as the chairman.

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

## 9. Corporate Governance

(1) On 10 January 2017, the Audit Committee held telephone conference to review the financial statements prepared by the Company for the year 2016 and listened to the reporting by the Company's management on operation of the Company for 2016 and the arrangement on the preparation of financial report and the main focus. KPMG, auditors of the Company, reported the time table for the audit and the main focus of their audit work for the year 2016. The Audit Committee agreed to allow the auditors to conduct field audit in the Company for the year 2016.

(2) On 28 February 2017, the Audit Committee listened to the reporting by KPMG on the progress of the auditing by way of telephone conference, and considered that the auditors would be able to complete the audit within the scheduled time frame.

(3) On 23 March 2017, the Audit Committee held a meeting which considered and passed the following resolutions: (i) the annual financial report for the year ended 31 December 2016 prepared in accordance with the PRC Accounting Standards and IFRSs respectively, which was subsequently submitted to the Board for approval; (ii) the annual report, its summary and result announcement for the year 2016, which was subsequently submitted to the Board for approval; (iii) the assessment report on internal control for the year 2016, which was subsequently submitted to the Board for approval; (iv) the report on the connected transactions which took place in 2016; (v) the resolution regarding the provision of guarantee by the Company for bank loans granted to its subsidiaries and joint ventures, which was subsequently submitted to the Board for approval; and (vi) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively.

    On 23 March 2017, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2016 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2016, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively, and to re-appoint KPMG Huazhen LLP as the internal control auditor of the Company.

(4) On 21 August 2017, the Audit Committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for the year 2017 prepared in accordance with the IFRSs and PRC Accounting Standards respectively, which was subsequently submitted to the Board for approval; (ii) the half-yearly report for the year 2017 and its summary and the half-yearly results announcement, which was subsequently submitted to the Board for approval; and (iii) the resolution regarding changes in the accounting policies of the Company.

Since the commencement of the audit work and the internal control audit work by the auditors in relation to the preparation of the financial report of the Company for the year ended 31 December 2017, the Audit Committee has been participating in the whole process:

(1) Prior to the commencement of audit work, the Audit Committee first reviewed the 2017 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the Audit Committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.

(2) When the annual review by the auditors reaches a certain stage, the Audit Committee reviewed again the 2017 financial statements and considered that the auditors could complete the audit work conscientiously within the scheduled time frame.

(3) On 22 March 2018, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2017 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2017, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company respectively, and recommended the Board to re-appoint KPMG Huazhen LLP as the internal control auditor of the Company.

**9. Auditors' Remuneration**

Please refer to "(4) Auditors and remuneration" in chapter 6 "Significant Events" in this report for the remuneration of auditors appointed by the Company in 2017.

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

The financial report and results announcement of the Company for year 2017 have been reviewed by the Audit Committee of the Company. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2017, applicable accounting policies have been adopted and applied consistently. The Directors are not aware of any uncertain events or circumstances which may cast significant doubt on the Company's ability to continue as a going concern.

**11. Internal Control and Risk Management**

The Company has an internal audit function. The Assessment Report on Internal Control for 2017 of the Company has been considered and approved by the Board, and was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year.

The Group's internal control system is comprised of a system of controlled management with various authoritative limits and established process, which will constantly identify, assess and manage the significant risks to which the Group is exposed. The above process includes enhancement of the risk management and internal control systems from time to time in response to the changes to the business environment or regulatory guidelines.

During the Reporting Period, the Audit Committee carefully reviewed the risk management, internal control system and internal audit function of the Company in accordance with the relevant regulations of the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the HKSE Listing Rules as well as the Written Terms of Reference of the Audit Committee of the Company, covering all material controls including financial, operational and compliance controls as well as the adequacy of resources, the qualifications and experience of the employees responsible for accounting, compliance, risk management, internal audit and financial reporting functions and their training programmes and budget, and also studied and discussed with the management of the Company regarding the risk management and internal control systems, so as to keep the operation and development risk of the Company at a controllable level. The Board acknowledges its responsibility for risk management and internal control systems. The Board and the Audit Committee are of the opinion that the internal control and risk management systems of the Group is sufficient and effective.



KPMG Huazhen LLP was engaged by the Company to review the effectiveness of the internal control on financial reporting procedures of the Group as at 31 December 2017, and has issued a standard unqualified audit report on internal control. The Audit Report on Internal Control was published on the websites of the SSE, the Stock Exchange and the Company respectively together with the annual report for the year. The Company has set up the inspecting and auditing department which takes up the daily responsibility of internal risk control.

The Company has formulated relevant systems on inside information management, which specifies the confidentiality management of inside information, as well as filing and accountability of personnel with access to inside information. The Company regularly reminds the directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

**12. Shareholders' Rights**

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

Article 65 of the Articles provides that when the Company convenes any annual general meeting, a shareholder or shareholders (whether alone or together) holding in aggregate of over 3% of the total number of issued shares of the Company carrying voting rights is or are entitled to propose motions to the Company, and any such motion shall fall within the scope of authority of the shareholders in general meeting, have clear subject and specific matters to be resolved, and be in compliance with the provisions of laws, administrative regulations and the Articles of the Company, provided that such motion shall be delivered to the Company's place of business in Wuhu City, Anhui Province (address: No.39, Wenhua Road, Wuhu City, Anhui Province, the PRC) within 30 days after the issue of the notice of the said meeting. The convener shall, within two business days after the receipt of such motion, issue supplementary notice to announce the contents of such ad hoc motion. Any motion which is not set out in a notice of general meeting or which does not meet the requirement of this Article shall not be voted on nor resolved by shareholders at the general meeting.

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

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's place of business in Wuhu City, Anhui Province (address: No.39, Wenhua Road, Wuhu City, Anhui Province, the PRC).

### 13. Company Secretary

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

### 14. Investor Relations and Communication with Shareholders

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

In addition, our Company's website contains corporate information, annual reports, interim reports, quarterly reports and relevant ad hoc announcements and circulars issued by the Company, providing the Company's shareholders and investors with the latest information of the Company.

# 10. Information on Corporate Bonds

## (1) GENERAL INFORMATION ON CORPORATE BONDS

| Name of Bonds | Abbreviation | Code | Issuance Date | Maturity Date | Balance of Bonds (RMB billion) | Interest Rate (%) | Principal and Interest Payment | Stock Exchange |
|---|---|---|---|---|---|---|---|---|
| 2011 Corporate Bonds of Anhui Conch Cement Company Limited ("2011 Corporate Bonds") | 11 Conch 02 （11海螺02） | 122069 | 2011.5.23 | 2018.5.22 | 2.5 | 5.20 | The interest is payable annually, and the final interest shall be paid together with the principal amount | SSE |
| 2012 Corporate Bonds of Anhui Conch Cement Company Limited ("2012 Corporate Bonds") | 12 Conch 02 （12海螺02） | 122203 | 2012.11.7 | 2022.11.06 | 3.5 | 5.10 | The interest is payable annually, and the final interest shall be paid together with the principal amount | SSE |

Notes:

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

2. The 2012 Corporate Bonds "12 Conch 01" was due on 6 November 2017, the principal and interest of which were fully paid. Please refer to the announcement of the Company dated 30 October 2017 for the details.

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

| | | |
|---|---|---|
| Trustee of 2011 Corporate Bonds | Name | Ping An Securities Company, Ltd. |
| | Business address | 16-20th Floor, Rongchao Tower, 4036 Jintian Road, Futian District, Shenzhen |
| | Contact person | Zhang Caihong (張彩虹) |
| | Telephone | 010-5680 0319 |
| Trustee of 2012 Corporate Bonds | Name | Zhong De Securities Company Limited (中德證券有限責任公司) |
| | Business address | 22nd Floor, Tower 1, China Central Place, 81 Jianguo Road, Chaoyang District, Beijing |
| | Contact person | Li Bingting (李冰婷) |
| | Telephone | 010-5902 6656 |
| Credit Rating Agency of 2011 Corporate Bonds and 2012 Corporate Bonds | Name | China Chengxin Securities Rating Company Limited (中誠信證券評估有限公司) |
| | Business address | 14th Floor, Block C, Merchants International Finance Center, 156 Fuxingmennei Avenue, Xicheng District, Beijing |

## (3) USE OF PROCEEDS FORM ISSUANCE OF CORPORATE BONDS

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

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

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

According to the two credit rating notices (Xinpingweihanzi [2017] tracking No.048 and Xinpingweihanzi [2017] tracking No.049) and tracking rating reports issued by China Chengxin Securities Rating Company Limited ("China Chengxin") in April 2017, and based on the tracking analysis on the Company, its 2011 Corporate Bonds and 2012 Corporate Bonds conducted by China Chengxin, the credit rating committee of China Chengxin considered and determined to maintain the Company's main credit rating of AAA with stable rating outlook, and also maintain the credit rating of its 2011 Corporate Bonds of AAA and the credit rating of its 2012 Corporate Bonds of AAA. The two above-mentioned tracking rating reports were published on the websites of the SSE, the Hong Kong Stock Exchange and the Company on 22 April 2017.

China Chengxin will continue to conduct tracking rating on the Company and its corporate bonds based on the performance of the Company during the Reporting Period, and expect to issue the rating reports in April 2018, which will then be published on the websites of the SSE, the Hong Kong Stock Exchange and the Company.

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

Conch Holdings, the controlling shareholder of the Company, provided unconditional and irrevocable guarantee by way of joint liability assurance for the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company. As of 31 December 2017, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB6.0 billion (i.e. the guarantee provided for the two tranches of corporate bonds issued by the Company in an aggregate amount of RMB6.0 billion), representing 17.95% of the unaudited net assets (excluding minority interests) of Conch Holdings as at 31 December 2017.

The debt repayment plan for the 2011 Corporate Bonds and the 2012 Corporate Bonds with a maturity of ten years issued by the Company is as follows:

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

## 10. Information on Corporate Bonds

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

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

The major financial indicators (unaudited) of Conch Holdings, the guarantor for the 2011 Corporate Bonds and 2012 Corporate Bonds of the Company, for the year 2017 are as follows:

| Items | 31 December 2017 |
|---|---|
| Net assets (billion) | 95.089 |
| Gearing ratio (%) | 25.72 |
| Return on net assets (%) | 19.13 |
| Current ratio (times) | 2.66 |
| Quick ratio (times) | 2.37 |

### (6) MEETINGS OF CORPORATE BOND HOLDERS

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

### (7) PERFORMANCE OF THE TRUSTEE OF THE CORPORATE BONDS

In April 2017, Ping An Securities Company, Ltd. and Zhong De Securities Company Limited respectively disclosed the Trustee Report on the 2011 Corporate Bonds of Anhui Conch Cement Company Limited (2016) and the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2016), which contained the information regarding the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of the guarantor for the corporate bonds, interest payment of the bonds for the current period and the tracking rating of the bonds.

## 10. Information on Corporate Bonds

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

| Major indicators | **31 December 2017** | 31 December 2016 | Year-on-year change between 2017 and 2016 (%) | Reason for the change |
|---|---|---|---|---|
| Net cash flow generated from investing activities (RMB'000) | **-5,202,648** | -4,552,247 | -14.29% | Increase in the term deposits with a maturity of over three months and the expenditure of wealth management funds |
| Net cash flow generated from financing activities (RMB'000) | **-7,499,608** | -7,150,950 | -4.88% | Increase of cash payment for acquiring minority interests |
| Balance of cash and cash equivalents at the end of the period (RMB'000) | **10,428,932** | 5,799,567 | 79.82% | Increase in the cash flow generated from operating activities |
| Current ratio (%) | **217.64** | 172.41 | Increased by 45.23 percentage points | Increase in the current assets such as currency capital and receivable notes |
| Quick ratio (%) | **195.35** | 145.73 | Increased by 49.62 percentage points | Increase in the current assets such as currency capital and receivable notes |
| Gearing ratio (%) | **24.71** | 26.68 | Decreased by 1.97 percentage points | |
| EBITDA/total debts ratio | **0.89** | 0.59 | 50.85 | Increase in the revenue |
| Loan repayment rate (%) | **100** | 100 | – | |

## 10. Information on Corporate Bonds

| Major indicators | 2017 | 2016 | Year-on-year change between 2017 and 2016 (%) | Reason for the change |
|---|---|---|---|---|
| Profit before interests, taxation, depreciation and amortization (RMB'000) | **26,745,920** | 17,197,958 | 55.52 | Increase in total profit and decrease in financial costs |
| Interest coverage ratio | **30.54** | 15.36 | 98.83 | Increase in total profit and decrease in financial costs |
| Cash interest coverage ratio | **24.16** | 16.27 | 48.49 | Increase in currency capital and decrease in financial costs |
| EBITDA interest coverage ratio | **37.21** | 21.20 | 75.52 | Increase in total profit and decrease in financial costs |
| Interest payment ratio (%) | **100** | 100 | – | |

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

As at the end of the Reporting Period, no other assets of the Company were charged, pledged, distressed, frozen or only can be realized upon satisfaction of certain conditions or cannot be realized or used to settle debts, nor did there exist any circumstance or arrangement under which other rights were restricted. There were not any other senior debts that have defensive power against a third party.

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

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



## 10. Information on Corporate Bonds

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

As at the end of the Reporting Period, the facilities granted to the Company by all the banks in aggregate amounted to RMB85.888 billion and US$5.718 billion, of which an amount of RMB6.258 billion and US$301 million were drawn and an amount of RMB79.630 billion and US$5.417 billion remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB2,021.12 million according to the needs for the operation and development and the construction of overseas projects of the Company, and repaid bank loans of RMB1,525.10 million.

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

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

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

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

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

## OPINION

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 114 to 266, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and 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 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (CONTINUED)

### Revenue recognition

Refer to note 5 to the consolidated financial statements and the accounting policies note 2(x).

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| The principal activities of the Group are the manufacture and sale of clinker and cement products.<br><br>The Group recognised revenue from the sales of clinkers and cement products of RMB73,592,382 thousand for the year ended 31 December 2017.<br><br>Revenue from sales of clinker and cement products is recognised when the risks and rewards of the underlying products have been transferred to customers which is generally when the products leave the Group's warehouses in accordance with the terms of the sales contracts.<br><br>We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations. | Our audit procedures to assess the recognition of revenue included the following:<br><br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;<br><br>• inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the transfer of risks and rewards of the ownership of the products sold and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;<br><br>• comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;<br><br>• comparing, on a sample basis, revenue transactions recorded before and after the financial year end date with goods delivery notes and other relevant documentation to assess whether the revenue had been recognised in the appropriate financial period; and<br><br>• inspecting underlying documentation for manual journal entries relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria. |

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

**KPMG**
*Certified Public Accountants*

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

22 March 2018

## Consolidated statement of profit or loss for the year ended 31 December 2017

*(Expressed in Renminbi Yuan)*

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Revenue** | 5 | **75,310,820** | 55,931,901 |
| Cost of sales and services rendered | | **(49,788,595)** | (38,396,285) |
| **Gross profit** | | **25,522,225** | 17,535,616 |
| Other revenue | 6 | **1,616,486** | 1,187,329 |
| Other net income | 6 | **1,742,375** | 671,364 |
| Selling and marketing costs | | **(3,571,930)** | (3,276,414) |
| Administrative expenses | | **(3,470,351)** | (3,529,618) |
| **Profit from operations** | | **21,838,805** | 12,588,277 |
| Finance costs | 7(a) | **(683,988)** | (792,038) |
| Share of profits/(losses) of associates | | **111,827** | (64,695) |
| Share of profits/(losses) of joint ventures | | **8,236** | (32,215) |
| **Profit before taxation** | 7 | **21,274,880** | 11,699,329 |
| Income tax | 8(b) | **(4,800,022)** | (2,702,563) |
| **Profit for the year** | | **16,474,858** | 8,996,766 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **15,898,689** | 8,573,868 |
| Non-controlling interests | | **576,169** | 422,898 |
| **Profit for the year** | | **16,474,858** | 8,996,766 |
| **Earnings per share** | 12 | | |
| – Basic | | **RMB3.00** | RMB1.62 |
| – Diluted | | **RMB3.00** | RMB1.62 |

The notes on pages 122 to 266 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 36(b).

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

*(Expressed in Renminbi Yuan)*

| | Note | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|---|
| **Profit for the year** | | **16,474,858** | 8,996,766 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | 11 | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | **(68,293)** | 55,391 |
| Available-for-sale equity securities: net movement in the fair value reserve | | **(227,501)** | (202,967) |
| Share of other comprehensive income of the investees | | **(14,280)** | 23,258 |
| | | **(310,074)** | (124,318) |
| **Total comprehensive income for the year** | | **16,164,784** | 8,872,448 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **15,599,043** | 8,439,684 |
| Non-controlling interests | | **565,741** | 432,764 |
| **Total comprehensive income for the year** | | **16,164,784** | 8,872,448 |

The notes on pages 122 to 266 form part of these financial statements.

# Consolidated statement of financial position at 31 December 2017

*(Expressed in Renminbi Yuan)*

| | Note | 2017 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2016 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| – Investment properties | 13 | | **36,466** | | 27,967 |
| – Other property, plant and equipment | 14 | | **63,293,696** | | 64,660,953 |
| – Lease prepayments | 15 | | **4,904,924** | | 4,819,674 |
| Intangible assets | 16 | | **3,196,077** | | 2,912,630 |
| Goodwill | 17 | | **493,648** | | 493,648 |
| Interest in associates | 19 | | **1,587,953** | | 2,143,046 |
| Interest in joint ventures | 20 | | **1,202,810** | | 1,172,383 |
| Loans and receivables | 21 | | **263,376** | | 206,830 |
| Available-for-sale equity securities | 22 | | **461,409** | | 2,935,177 |
| Deferred tax assets | 34(b) | | **677,819** | | 529,547 |
| Prepayment for long-term assets | 23 | | **–** | | 28,912 |
| | | | **76,118,178** | | 79,930,767 |
| **Current assets** | | | | | |
| Inventories | 24 | **4,705,200** | | 4,548,534 | |
| Trade receivables | 25 | **12,179,758** | | 7,145,293 | |
| Prepayments and other receivables | 26 | **4,110,966** | | 1,904,169 | |
| Amounts due from related parties | 27 | **219,659** | | 301,952 | |
| Tax recoverable | 34(a) | **49,045** | | 97,423 | |
| Restricted cash deposits | | **330,847** | | 286,417 | |
| Bank deposits with maturity over three months | | **14,000,000** | | 9,500,000 | |
| Cash and cash equivalents | 28 | **10,428,932** | | 5,799,566 | |
| | | **46,024,407** | | 29,583,354 | |
| **Current liabilities** | | | | | |
| Trade payables | 29 | **4,967,098** | | 4,362,893 | |
| Other payables and accruals | 30 | **8,423,956** | | 7,293,525 | |
| Bank loans and other borrowings | 31 | **5,620,076** | | 4,537,632 | |
| Amounts due to related parties | 27 | **196,509** | | 235,716 | |
| Current taxation | 34(a) | **1,906,664** | | 619,459 | |
| | | **21,114,303** | | 17,049,225 | |

The notes on pages 122 to 266 form part of these financial statements.

## Consolidated statement of financial position at 31 December 2017 (continued)

*(Expressed in Renminbi Yuan)*

| | Note | 2017 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2016 RMB'000 |
|---|---|---|---|---|---|
| **Net current assets** | | | **24,910,104** | | 12,534,129 |
| **Total assets less current liabilities** | | | **101,028,282** | | 92,464,896 |
| **Non-current liabilities** | | | | | |
| Bank loans and other borrowings | 32(a) | **8,358,942** | | 11,443,109 | |
| Deferred income | 35 | **614,099** | | 569,580 | |
| Deferred tax liabilities | 34(b) | **365,947** | | 474,375 | |
| | | | **9,338,988** | | 12,487,064 |
| **NET ASSETS** | | | **91,689,294** | | 79,977,832 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 36(c) | | **5,299,303** | | 5,299,303 |
| Reserves | | | **83,850,646** | | 71,009,251 |
| **Total equity attributable to equity shareholders of the Company** | | | **89,149,949** | | 76,308,554 |
| **Non-controlling interests** | | | **2,539,345** | | 3,669,278 |
| **TOTAL EQUITY** | | | **91,689,294** | | 79,977,832 |

Approved and authorised for issue by the board of directors on 22 March 2018.

| | |
|---|---|
| **Gao Dengbang** | **Zhou Bo** |
| *Directors* | *Directors* |

The notes on pages 122 to 266 form part of these financial statements.

# Consolidated statement of changes in equity for the year ended 31 December 2017

*(Expressed in Renminbi Yuan)*

| | Note | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Capital reserve | Exchange reserve | Statutory surplus reserve | Fair value reserve | Share of other comprehensive income of the investees | Retained profits | Total | Non-controlling interests | Total equity |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2016** | | 5,299,303 | 10,243,790 | 216,258 | (29,113) | 2,649,654 | 742,618 | 11,500 | 51,013,560 | 70,147,570 | 3,396,939 | 73,544,509 |
| **Changes in equity for 2016:** | | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | - | 8,573,868 | 8,573,868 | 422,898 | 8,996,766 |
| Other comprehensive income | 11 | - | - | - | 45,525 | - | (202,967) | 23,258 | - | (134,184) | 9,866 | (124,318) |
| Total comprehensive income | | - | - | - | 45,525 | - | (202,967) | 23,258 | 8,573,868 | 8,439,684 | 432,764 | 8,872,448 |
| Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders | | - | - | - | - | - | - | - | - | - | (225,488) | (225,488) |
| Dividends approved in respect of the previous year | 36(b)(ii) | - | - | - | - | - | - | - | (2,278,700) | (2,278,700) | - | (2,278,700) |
| Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders | | - | - | - | - | - | - | - | - | - | 65,063 | 65,063 |
| **Balance at 31 December 2016** | | 5,299,303 | 10,243,790 | 216,258 | 16,412 | 2,649,654 | 539,651 | 34,758 | 57,308,728 | 76,308,554 | 3,669,278 | 79,977,832 |

The notes on pages 122 to 266 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2017 (continued)

*(Expressed in Renminbi Yuan)*

| | | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Exchange reserve RMB'000 | Statutory surplus reserve RMB'000 | Fair value reserve RMB'000 | Share of other comprehensive income of the investees RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2017** | | 5,299,303 | 10,243,790 | 216,258 | 16,412 | 2,649,654 | 539,651 | 34,758 | 57,308,728 | 76,308,554 | 3,669,278 | 79,977,832 |
| **Changes in equity for 2017:** | | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | - | 15,898,689 | 15,898,689 | 576,169 | 16,474,858 |
| Other comprehensive income | 11 | - | - | - | (57,865) | - | (227,501) | (14,280) | - | (299,646) | (10,428) | (310,074) |
| Total comprehensive income | | - | - | - | (57,865) | - | (227,501) | (14,280) | 15,898,689 | 15,599,043 | 565,741 | 16,164,784 |
| Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders | | - | - | - | - | - | - | - | - | - | (294,824) | (294,824) |
| Dividends approved in respect of the previous year | 36(b)(ii) | - | - | - | - | - | - | - | (2,649,651) | (2,649,651) | - | (2,649,651) |
| Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders | | - | - | - | - | - | - | - | - | - | 175,495 | 175,495 |
| Acquisition of subsidiary with non-controlling interests | | - | - | - | - | - | - | - | - | - | 123,218 | 123,218 |
| Acquisition of non-controlling interests | | - | (107,940) | - | - | - | - | - | - | (107,940) | (1,699,563) | (1,807,503) |
| Share of change of capital reserve of the investees | | - | - | (57) | - | - | - | - | - | (57) | - | (57) |
| **Balance at 31 December 2017** | | 5,299,303 | 10,135,850 | 216,201 | (41,453) | 2,649,654 | 312,150 | 20,478 | 70,557,766 | 89,149,949 | 2,539,345 | 91,689,294 |

The notes on pages 122 to 266 form part of these financial statements.

# Consolidated cash flow statement for the year ended 31 December 2017

*(Expressed in Renminbi Yuan)*

| | Note | 2017 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2016 RMB'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash generated from operations | 28(b) | **21,011,908** | | 15,517,169 | |
| Income tax paid | | **(3,648,880)** | | (2,320,412) | |
| Interest paid | | **(695,298)** | | (1,005,898) | |
| **Net cash generated from operating activities** | | | **16,667,730** | | 12,190,859 |
| **Investing activities** | | | | | |
| Payment for the purchase of property, plant and equipment | | **(3,334,040)** | | (4,581,167) | |
| Proceeds from disposal of property, plant and equipment | | **79,040** | | 116,331 | |
| Payment for lease prepayments | | **(57,022)** | | (259,831) | |
| Proceeds from disposal of lease prepayments | | **25,017** | | 43,033 | |
| Payment for the purchase of intangible assets | | **(265,073)** | | (140,497) | |
| Loan to a related party | | **(27,960)** | | – | |
| Loans repaid by a related party and third party | | **27,960** | | 200,000 | |
| Proceeds from sale of available-for-sale equity securities | | **3,727,226** | | 545,165 | |
| New advances to government | | **(138,123)** | | (108,085) | |
| Receipts of advances to government | | **133,888** | | 142,856 | |
| New bank deposits with maturity over three months | | **(40,500,000)** | | (15,000,000) | |
| Proceeds from maturity of bank deposits over three months | | **36,000,000** | | 15,500,000 | |
| Interest received | | **599,804** | | 294,476 | |
| Proceeds from sale of the investment in an associate | 19 | **969,820** | | – | |
| Payment for the investment in joint ventures | | **(42,106)** | | (456,493) | |
| Dividends received from joint ventures | | **24,069** | | 19,999 | |
| Acquisitions of subsidiaries and business, net of cash acquired | | **(447,677)** | | (871,977) | |
| Dividends received from investment in securities | | **1,817** | | 3,939 | |
| Payment for purchase of wealth management products issued by bank | | **(4,400,000)** | | – | |
| Receipts from wealth management products issued by bank | | **2,400,000** | | – | |
| Investment income on wealth management products issued by bank | | **20,712** | | – | |
| **Net cash used in investing activities** | | | **(5,202,648)** | | (4,552,251) |

The notes on pages 122 to 266 form part of these financial statements.

## Consolidated cash flow statement for the year ended 31 December 2017 (continued)

*(Expressed in Renminbi Yuan)*

| | Note | 2017 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2016 RMB'000 |
|---|---|---|---|---|---|
| **Financing activities** | | | | | |
| Payment for acquisition of non-controlling interests | | **(1,807,503)** | | – | |
| Proceeds from new bank loans and other borrowings | 28(c) | **1,827,438** | | 5,704,875 | |
| Repayment of bank loans and other borrowings | 28(c) | **(3,951,726)** | | (9,243,268) | |
| Dividends paid to non-controlling interests of non-wholly owned subsidiaries | 28(c) | **(136,759)** | | (279,254) | |
| Dividends paid to equity shareholders of the Company | | **(2,645,336)** | | (2,279,483) | |
| Capital contribution from non-controlling interests | | **175,495** | | 65,063 | |
| Other payments related to financing activities | 28(c) | **(265,919)** | | (112,986) | |
| **Net cash used in financing activities** | | | **(6,804,310)** | | (6,145,053) |
| **Net increase in cash and cash equivalents** | | **4,660,772** | | 1,493,555 | |
| **Effect of foreign exchange rate changes** | | **(31,406)** | | 20,977 | |
| **Cash and cash equivalents at 1 January** | 28(a) | | **5,799,566** | | 4,285,034 |
| **Cash and cash equivalents at 31 December** | 28(a) | | **10,428,932** | | 5,799,566 |

The notes on pages 122 to 266 form part of these financial statements.

# Notes to the financial statements

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 1 GENERAL INFORMATION

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation of the financial statements (continued)

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

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

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

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

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

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

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 28(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Associates and joint ventures

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(f) Goodwill**

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Derivative financial instruments

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

#### (i) Investment property

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Property, plant and equipment

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

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Construction-in-progress

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

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

#### (m) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Leased assets

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

*(i) Classification of assets leased to the Group*

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Leased assets (continued)

*(ii) Assets acquired under finance leases*

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

*(iii) Operating lease charges*

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

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

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(o)(ii).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(o) Impairment of assets (continued)**

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(o) Impairment of assets (continued)**

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(o) Impairment of assets (continued)**

*(ii) Impairment of other assets*

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill; and

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

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Impairment of assets (continued)

*(ii) Impairment of other assets (continued)*

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Impairment of assets (continued)

*(iii) Interim financial reporting and impairment*

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

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

### (p) Inventories

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Inventories (continued)

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

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

#### (q) Trade and other receivables

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

#### (r) Interest-bearing borrowings

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

#### (s) Trade and other payables

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Cash and cash equivalents

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

### (u) Employee benefits

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

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

### (v) Income tax

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

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Income tax (continued)

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Income tax (continued)

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*(i) Financial guarantees issued*

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*(ii) Other provisions and contingent liabilities*

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

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

#### (x) Revenue recognition

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

*(i) Sale of goods*

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*(ii) Rental income from operating leases*

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

*(iii) Dividends*

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

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

*(iv) Interest income*

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

*(v) Government grants*

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(y) Repairs and maintenance**

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

**(z) Translation of foreign currencies**

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Borrowing costs

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

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

### (bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (bb) Related parties (continued)

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

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (cc) Segment reporting

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

#### (a) Sources of estimation uncertainty

Note 17 and 37 contains information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

*(i) Impairment for non-current assets*

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

**(a) Sources of estimation uncertainty (continued)**

*(ii) Depreciation and amortisation*

As described in note 1(k), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 1(m), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

*(iii) Inventories*

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

*(iv) Impairment for bad and doubtful debts*

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

#### (a) Sources of estimation uncertainty (continued)

*(v) Recognition of deferred tax assets*

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors.

Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the profit or loss in future years.

### 4 BUSINESS COMBINATION

The Group acquired one subsidiary from an independent third party on 19 September 2017. The acquired subsidiary is located in the PRC and is principally engaged in the manufacture and sale of clinkers and cement related products.

During the period from the acquisition date to 31 December 2017, the acquired subsidiary contributed a revenue of RMB65,289,000 and loss of RMB6,146,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that the consolidated revenue of the Group for the year ended 31 December 2017 would have been RMB75,438,709,000, and the consolidated profit for the year would have been RMB16,418,490,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would remain the same as if the acquisition had occurred on 1 January 2017.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 4 BUSINESS COMBINATION (CONTINUED)

| Name of the company | Voting right/ equity interests | Date of acquisition | Principal activities |
|---|---|---|---|
| Shaanxi Tongchuan Fenghuang Construction Co., Ltd. (“Fenghuang Construction”) 陜西銅川鳳凰建材有限公司 | 65% | 19 September 2017 | Manufacture and sale of clinker and cement products |

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

Fair value of identifiable assets acquired and liabilities assumed:

| | RMB’000 |
|---|---|
| Property, plant and equipment | 487,130 |
| Intangible assets | 111,936 |
| Lease prepayments | 170,320 |
| Inventories | 17,128 |
| Cash and cash equivalents | 3,774 |
| Deferred tax assets | 14,477 |
| Trade receivables, prepayments and other receivables | 136,949 |
| Deferred tax liabilities | (18,053) |
| Trade payables and other liabilities | (571,609) |
| Total net identifiable assets of the acquiree | 352,052 |

**Negative Goodwill**

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

| | RMB’000 |
|---|---|
| Total cash consideration | 228,343 |
| Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees | 123,218 |
| Fair value of net identifiable assets | (352,052) |
| Goodwill arising from the above acquisition | (491) |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Sales of clinkers and cement products | **73,592,382** | 54,830,637 |
| Sales of materials and other products | **1,386,572** | 555,191 |
| Service income | **331,866** | 546,073 |
| | **75,310,820** | 55,931,901 |

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

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

#### (b) Segment reporting

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 REVENUE AND SEGMENT REPORTING (CONTINUED)

**(b) Segment reporting (continued)**

*(i) Segment results, assets and liabilities*

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

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

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

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

**For the year ended 31 December 2017**

| | Eastern China RMB'000 | Central China RMB'000 | Southern China RMB'000 | Western China RMB'000 | Overseas RMB'000 | Subtotal RMB'000 | Reconciling items (note 5b(ii)) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 23,349,307 | 23,682,948 | 11,432,969 | 15,841,142 | 1,004,454 | 75,310,820 | - | 75,310,820 |
| Inter-segment revenue | 3,682,582 | 20,428,097 | 386,273 | 162,837 | - | 24,659,789 | (24,659,789) | - |
| **Reportable segment revenue** | 27,031,889 | 44,111,045 | 11,819,242 | 16,003,979 | 1,004,454 | 99,970,609 | (24,659,789) | 75,310,820 |
| **Reportable segment profit (profit before taxation)** | 2,916,270 | 16,459,038 | 3,074,583 | 3,465,786 | (81,666) | 25,834,011 | (4,559,131) | 21,274,880 |
| Interest income | 10,034 | 880,868 | 4,224 | 16,332 | 6,581 | 918,039 | (274,209) | 643,830 |
| Interest expense | (46,148) | (542,244) | (48,147) | (201,451) | (97,087) | (935,077) | 251,089 | (683,988) |
| Depreciation and amortisation for the year | (445,958) | (2,148,107) | (627,243) | (1,487,955) | (139,891)) | (4,849,154) | 15,978 | (4,833,176) |
| **Reportable segment assets (including investment in associates and joint ventures)** | 14,385,422 | 99,378,618 | 11,223,326 | 27,768,550 | 8,286,545 | 161,042,461 | (38,899,876) | 122,142,585 |
| Investment in associates and joint ventures | - | 1,109,057 | - | 1,534,583 | 147,123 | 2,790,763 | - | 2,790,763 |
| Additions to non-current segment assets during the year | 562.376 | 795,701 | 227,435 | 322,222 | 1,908,361 | 3,816,095 | - | 3,816,095 |
| **Reportable segment liabilities** | 8,927,018 | 16,660,651 | 2,725,563 | 13,195,308 | 7,471,654 | 48,980,194 | (18,526,903) | 30,453,291 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 5 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

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

**For the year ended 31 December 2016**

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (continued)

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Elimination of inter-segment revenue | **(24,659,789)** | (16,995,521) |

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Profit** | | |
| Elimination of inter-segment profits | **(4,605,255)** | (3,407,194) |
| Difference between CAS and IFRS* | **46,124** | 46,124 |
| | **(4,559,131)** | (3,361,070) |

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Assets** | | |
| Elimination of inter-segment balances | **(38,899,876)** | (34,606,672) |

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Liabilities** | | |
| Elimination of inter-segment balances | **(18,801,717)** | (17,448,184) |
| Difference between CAS and IFRS* | **274,814** | 320,938 |
| | **(18,526,903)** | (17,127,246) |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 5 REVENUE AND SEGMENT REPORTING (CONTINUED)

**(b) Segment reporting (continued)**

*(iii) Geographic information*

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

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 | **2017 RMB'000** | 2016 RMB'000 |
| The PRC | **72,980,063** | 53,516,935 | **69,230,272** | 72,254,996 |
| Others | **2,330,757** | 2,414,966 | **5,748,678** | 4,039,376 |
| | **75,310,820** | 55,931,901 | **74,978,950** | 76,294,372 |

### 6 OTHER REVENUE AND NET INCOME

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Other revenue** | | |
| Interest income | **643,830** | 362,758 |
| Subsidy income* | **925,929** | 820,632 |
| Investment income on wealth management products issued by bank | **44,910** | – |
| Dividend income from listed securities | **1,817** | 3,939 |
| | **1,616,486** | 1,187,329 |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Other net income** | | |
| Net gain on disposal of property, plant and equipment and lease prepayments | **41,240** | 100,696 |
| Net realised and unrealised gain/(loss) on derivative financial instruments | **2,307** | (2,912) |
| Net gain on disposal of available-for-sale equity securities: | **1,556,793** | 501,365 |
| Net gain on disposal of interest in an associate | **303,104** | – |
| Net exchange (loss)/gain | **(164,789)** | 100,593 |
| Others | **3,720** | (28,378) |
| | **1,742,375** | 671,364 |

### 7 PROFIT BEFORE TAXATION

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **(a) Finance costs** | | |
| Interest expense on financial liabilities not at fair value through profit or loss | **718,700** | 811,237 |
| Less: interest expense capitalised into construction-in-progress* | **(34,712)** | (19,199) |
| | **683,988** | 792,038 |

* The borrowing costs have been capitalised at rates of 1.97% ~ 8.80% (2016: 1.42% ~ 8.80%).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 7 PROFIT BEFORE TAXATION (CONTINUED)

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **(b) Staff costs** | | |
| Salaries, wages and other benefits | **4,579,551** | 3,866,879 |
| Contributions to defined contribution retirement plans | **424,125** | 412,341 |
| | **5,003,676** | 4,279,220 |

| | | **2017** | 2016 |
|---|---|---|---|
| | Note | **RMB'000** | RMB'000 |
| **(c) Other items** | | | |
| Amortisation | | | |
| – interest in leasehold land held for own use under operating leases | 15 | **124,320** | 117,481 |
| – intangible assets | 16 | **118,578** | 137,603 |
| Depreciation | | | |
| – investment properties | 13 | **1,445** | 1,054 |
| – property, plant and equipment | 14 | **4,588,833** | 4,496,581 |
| Impairment losses | | | |
| – property, plant and equipment | 14 | **–** | 377,956 |
| Reversal of impairment losses | | | |
| – prepayments and other receivables | | **(12)** | (109) |
| Auditors' remuneration | | | |
| – audit services | | **5,200** | 5,200 |
| – other services | | **439** | 199 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Current tax-PRC Corporate Income Tax** | | |
| Provision for the year | **4,997,607** | 2,822,112 |
| Over-provision in respect of prior years | **(13,144)** | (27,621) |
| | **4,984,463** | 2,794,491 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(184,441)** | (91,928) |
| | **4,800,022** | 2,702,563 |

No provision for Hong Kong Profits Tax is made for 2017 and 2016 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

Conch International Holding (HK) Co., Ltd. ("Conch International"), a subsidiary in Hong Kong, is taxed at corporate income tax rates of 16.5%. Luangprabang Conch Cement Co., Ltd. ("Luangprabang Conch") and Vientiane Conch Cement Co., Ltd. ("Vientiane Conch") subsidiaries in Laos, are taxed at corporate income tax rates of 24%. Conch Cement Volga Limited Liability Company ("Volga Conch") a subsidiary in Russia, is taxed at corporate income tax rates of 20%. Battambang Conch Cement Company Limited ("Battambang Conch") a subsidiary in Cambodia, is taxed at corporate income tax rates of 20%. Other individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations, except for:

| | |
|---|---|
| Pingliang Conch Cement Co., Ltd. ("Pingliang Conch")<br>平涼海螺水泥有限責任公司 (Note (i)) | 15% |
| Dazhou Conch Cement Co., Ltd. ("Dazhou Conch")<br>達州海螺水泥有限責任公司 (Note (i)) | 15% |
| Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch")<br>廣元海螺水泥有限責任公司(Note (i)) | 15% |
| Chongqing Conch Cement Co., Ltd. ("Chongqing Conch")<br>重慶海螺水泥有限責任公司 (Note (i)) | 15% |
| Liquan Conch Cement Co., Ltd. ("Liquan Conch")<br>禮泉海螺水泥有限責任公司 (Note (i)) | 15% |
| Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch")<br>貴陽海螺盤江水泥有限責任公司 (Note (i)) | 15% |
| Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch")<br>貴定海螺盤江水泥有限責任公司 (Note (i)) | 15% |
| Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch")<br>遵義海螺盤江水泥有限責任公司 (Note (i)) | 15% |
| Qianyang Conch Cement Co., Ltd. ("Qianyang Conch")<br>千陽海螺水泥有限責任公司 (Note (i)) | 15% |
| Bazhong Conch Cement Co., Ltd. ("Bazhong Conch")<br>巴中海螺水泥有限責任公司 (Note (i)) | 15% |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

| | |
|---|---|
| Wenshan Conch Cement Co., Ltd. ("Wenshan Conch")<br>文山海螺水泥有限公司 (Note (i)) | 15% |
| Longan Conch Cement Co., Ltd. ("Longan Conch")<br>隆安海螺水泥有限責任公司 (Note (i)) | 15% |
| Linxia Conch Cement Co., Ltd. ("Linxia Conch")<br>臨夏海螺水泥有限責任公司 (Note (i)) | 15% |
| Tongren Conch Panjiang Cement Co., Ltd. ("Tongren Conch")<br>銅仁海螺盤江水泥有限責任公司 (Note (i)) | 15% |
| Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian")<br>貴州六礦瑞安水泥有限公司 (Note (i)) | 15% |
| Qianxian Conch Cement Co., Ltd. ("Qianxian Conch")<br>乾縣海螺水泥有限責任公司 (Note (i)) | 15% |
| Qianxinan Resource Development Co., Ltd. ("Qianxinan")<br>黔西南州發展資源開發有限公司 (Note (i)) | 15% |
| Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement")<br>四川南威水泥有限公司 (Note (i)) | 15% |
| Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch")<br>雲南壯鄉水泥股份有限公司 (Note (i)) | 15% |
| Liangping Conch Cement Co., Ltd. ("Liangping Conch")<br>梁平海螺水泥有限責任公司 (Note (i)) | 15% |
| Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe")<br>寶雞市眾喜金陵河水泥有限公司 (Note (i)) | 15% |
| Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan")<br>寶雞眾喜鳳凰山水泥有限公司 (Note (i)) | 15% |
| Guangxi Lingyun Tonghong Cement Co., Ltd.("Lingyun Tonghong")<br>廣西淩雲通鴻水泥有限公司 (Note (i)) | 15% |
| Baoshan Conch Cement Co., Ltd. ("Baoshan Conch")<br>保山海螺水泥有限責任公司 (Note (i)) | 15% |
| Ganzhou Conch Cement Co., Ltd. ("Ganzhou Conch")<br>贛州海螺水泥有限責任公司 (Note (i)) | 15% |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

| | |
|---|---|
| Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note (i)) | 15% |
| Yingjiangyunhan Cement Co., Ltd. ("Yingjiangyunhan") 盈江縣允罕水泥有限公司 (Note (i)) | 15% |
| Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司 (Note (ii)) | 15% |
| Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料有限公司 (Note (ii)) | 15% |

Notes:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. These companies mentioned above obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2017.

(ii) Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Conch Construction has obtained a high and new technology enterprise certification in 2015, obtained approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2015 to 2017. Refractory Material has obtained a high and new technology enterprise certification and approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Profit before taxation | **21,274,880** | 11,699,329 |
| Notional tax on profit before taxation calculated at 25% (2016: 25%) | **5,318,720** | 2,924,832 |
| Tax effect of subsidiaries subject to tax rates other than 25% | **(396,896)** | (203,634) |
| Tax effect of non-deductible expenses | **60,419** | 79,274 |
| Tax effect of non-taxable income | **(123,196)** | (36,690) |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | **(21,960)** | (14,627) |
| Over-provision in respect of prior years | **(13,144)** | (27,621) |
| Others | **(23,921)** | (18,971) |
| Actual tax expense | **4,800,022** | 2,702,563 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 9 DIRECTORS' EMOLUMENTS

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

| | Directors' fee RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement plan contributions RMB'000 | 2017 Total RMB'000 |
|---|---|---|---|---|---|
| ***Chairman*** | | | | | |
| Gao Dengbang* | - | - | - | - | - |
| ***Vice chairman and Executive director*** | | | | | |
| Wang Jianchao | - | 387 | 183 | 45 | 615 |
| ***Executive directors*** | | | | | |
| Wu Bin | - | 264 | 1,149 | 34 | 1,447 |
| Ding Feng** | - | 118 | - | 16 | 134 |
| Zhou Bo | - | 250 | 1,103 | 34 | 1,387 |
| ***Independent non-executive directors*** | | | | | |
| Yang Mianzhi | - | 141 | - | - | 141 |
| Leung Tat Kwong Simon | - | 141 | - | - | 141 |
| Tai Kwok Leung | - | 141 | - | - | 141 |
| ***Supervisors*** | | | | | |
| Qi Shengli* (resigned on 10 October 2017) | - | - | - | - | - |
| Wang Pengfei* | - | - | - | - | - |
| Wang Chunjian* | - | - | - | - | - |
| Wu Xiaoming* (appointed on 10 October 2017) | - | - | - | - | - |
| | - | 1,442 | 2,435 | 129 | 4,006 |

* No remuneration is paid or payable by the Group for the year as their remunerations are paid by Anhui Conch Holdings Co., Ltd. ("Conch Holdings") (安徽海螺集團有限責任公司). In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

** Ding Feng resigned from vice-general manager on 28 June 2017 with his employment relationship transferred to Conch Holdings. Afterwards, his remuneration is paid or payable by Conch Holdings for the rest of the year.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 9 DIRECTORS' EMOLUMENTS (CONTINUED)

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Salaries and other emoluments | **732** | 662 |
| Discretionary bonuses | **3,220** | 2,008 |
| Retirement plan contributions | **101** | 94 |
| | **4,053** | 2,764 |

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

| | **2017 Number of individuals** | 2016 Number of individuals |
|---|---|---|
| Nil – HK$1,000,000 | **–** | 1 |
| HK$1,000,001- HK$1,500,000 | **3** | 2 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 11 OTHER COMPREHENSIVE INCOME

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Before-tax amount RMB'000** | **Tax benefit RMB'000 (Note 34(b))** | **Net-of-tax amount RMB'000** | Before-tax amount RMB'000 | Tax benefit RMB'000 (Note 34(b)) | Net-of-tax amount RMB'000 |
| Exchange differences on translation of financial statements of overseas subsidiaries | **(68,293)** | **-** | **(68,293)** | 55,391 | – | 55,391 |
| Available-for-sale equity securities: movement in fair value reserve (Note b) | **(303,336)** | **75,835** | **(227,501)** | (270,622) | 67,655 | (202,967) |
| Share of the investees' other comprehensive income | **(14,280)** | **-** | **(14,280)** | 23,258 | – | 23,258 |
| Other comprehensive income | **(385,909)** | **75,835** | **(310,074)** | (191,973) | 67,655 | (124,318) |

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

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Available-for-sale equity securities: | | |
| Changes in fair value recognised during the year | **1,351,870** | 261,601 |
| Tax effect of changes in fair value recognised during the year | **(337,967)** | (65,400) |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – gains on disposal | **(1,655,206)** | (532,223) |
| Tax effect of gains on disposal | **413,802** | 133,055 |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **(227,501)** | (202,967) |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 12 EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2017 of RMB15,898,689,000 (2016: RMB8,573,868,000) and the weighted average number of shares in issue during the year ended 31 December 2017 of 5,299,303,000 shares (2016: 5,299,303,000 shares).

#### (b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016, therefore, diluted earnings per share is the same as the basic earnings per share.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 13 INVESTMENT PROPERTIES

| | RMB'000 |
|---|---|
| **Cost:** | |
| At 1 January 2016 | 43,957 |
| Transfer from property, plant and equipment | 18,597 |
| Acquisition through business combination | 2,576 |
| Transfer to property, plant and equipment | (19,537) |
| Other adjustment | (9,399) |
| At 31 December 2016 | 36,194 |
| At 1 January 2017 | 36,194 |
| Transfer from property, plant and equipment | 11,672 |
| Transfer from lease prepayments | 2,735 |
| Transfer to property, plant and equipment | (3,004) |
| At 31 December 2017 | 47,597 |
| **Accumulated depreciation:** | |
| At 1 January 2016 | 3,801 |
| Transfer from property, plant and equipment | 5,294 |
| Charge for the year | 1,054 |
| Transfer to property, plant and equipment | (1,922) |
| At 31 December 2016 | 8,227 |
| At 1 January 2017 | 8,227 |
| Transfer from property, plant and equipment | 1,388 |
| Transfer from lease prepayment | 656 |
| Charge for the year | 1,445 |
| Transfer to property, plant and equipment | (585) |
| At 31 December 2017 | 11,131 |
| **Net book value:** | |
| At 31 December 2017 | 36,466 |
| At 31 December 2016 | 27,967 |

## 13 INVESTMENT PROPERTIES (CONTINUED)

In 2017, the Group leased out four properties and one leasehold land (2016: three properties) with carrying value of RMB11,810,000 (2016: RMB26,367,000) under operating lease and classified the properties as investment properties accordingly. The investment properties are subsequently measured using the cost model.

In 2017, the Group transferred one investment property to other property, plant and equipment with carrying value of RMB2,419,000, (2016: RMB17,615,000) due to the termination of the leasing agreement and change of intention to hold for own use.

The investment properties are valued by management to be RMB70,460,000 as at 31 December 2017 (2016: RMB53,256,000) using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties.

The rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to RMB4,510,000 (2016: RMB4,078,000). Direct operating expenses arising from the investment properties amounted to RMB1,445,000 (2016: RMB1,054,000).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 14 PROPERTY, PLANT AND EQUIPMENT

| | Land, Plant and Buildings | Machinery | Office and other equipment | Vehicles | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost:** | | | | | | |
| At 1 January 2016 | 37,026,282 | 48,757,305 | 653,531 | 1,856,803 | 2,412,255 | 90,706,176 |
| Acquisition through business combination | 602,669 | 755,887 | 1,433 | 21,236 | 6,867 | 1,388,092 |
| Other additions | 47,609 | 55,876 | 28,703 | 78,459 | 3,875,432 | 4,086,079 |
| Transfer from/(out) construction-in-progress | 2,030,717 | 1,878,114 | 1,554 | 1,237 | (3,911,622) | – |
| Transfer from investment properties | 19,537 | – | – | – | – | 19,537 |
| Disposals | (95,370) | (110,165) | (4,305) | (27,245) | – | (237,085) |
| Transfer to investment properties | (18,597) | – | – | – | – | (18,597) |
| At 31 December 2016 | 39,612,847 | 51,337,017 | 680,916 | 1,930,490 | 2,382,932 | 95,944,202 |
| At 1 January 2017 | 39,612,847 | 51,337,017 | 680,916 | 1,930,490 | 2,382,932 | 95,944,202 |
| Acquisition through business combination (Note 4) | 258,356 | 227,322 | 1,249 | 203 | – | 487,130 |
| Other additions | 87,343 | 97,018 | 43,476 | 15,174 | 2,556,767 | 2,799,778 |
| Transfer from/(out) construction-in-progress | 455,933 | 854,651 | 3,053 | – | (1,313,637) | – |
| Transfer from investment properties | 3,004 | – | – | – | – | 3,004 |
| Disposals | (64,953) | (143,005) | (13,532) | (51,788) | – | (273,278) |
| Transfer to investment properties | (11,672) | – | – | – | – | (11,672) |
| At 31 December 2017 | 40,340,858 | 52,373,003 | 715,162 | 1,894,079 | 3,626,062 | 98,949,164 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

| | Land, Plant and Buildings RMB'000 | Machinery RMB'000 | Office and other equipment RMB'000 | Vehicles RMB'000 | Construction-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment:** | | | | | | |
| At 1 January 2016 | 6,418,057 | 18,382,361 | 506,490 | 1,291,492 | – | 26,598,400 |
| Charge for the year | 1,345,829 | 2,953,156 | 29,271 | 168,325 | – | 4,496,581 |
| Transfer from investment properties | 1,922 | – | – | – | – | 1,922 |
| Impairment loss | 258,906 | 119,048 | 2 | – | – | 377,956 |
| Written back on disposals | (51,808) | (104,455) | (3,865) | (26,188) | – | (186,316) |
| Transfer to investment properties | (5,294) | – | – | – | – | (5,294) |
| At 31 December 2016 | 7,967,612 | 21,350,110 | 531,898 | 1,433,629 | – | 31,283,249 |
| At 1 January 2017 | 7,967,612 | 21,350,110 | 531,898 | 1,433,629 | – | 31,283,249 |
| Charge for the year | 1,390,828 | 3,035,192 | 39,790 | 123,023 | – | 4,588,833 |
| Transfer from investment properties | 585 | – | – | – | – | 585 |
| Written back on disposals | (29,616) | (125,883) | (12,161) | (48,151) | – | (215,811) |
| Transfer to investment properties | (1,388) | – | – | – | – | (1,388) |
| At 31 December 2017 | 9,328,021 | 24,259,419 | 559,527 | 1,508,501 | – | 35,655,468 |
| **Net book value:** | | | | | | |
| At 31 December 2017 | 31,012,837 | 28,113,584 | 155,635 | 385,578 | 3,626,062 | 63,293,696 |
| At 31 December 2016 | 31,645,235 | 29,986,907 | 149,018 | 496,861 | 2,382,932 | 64,660,953 |

As at 31 December 2017, no property, plant and equipment was pledged (as at 31 December 2016, the carrying amount of property, plant and equipment pledged as security against the Group's current borrowings of RMB60,000,000 amounted to approximately RMB608,033,000).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 15 LEASE PREPAYMENTS

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

| | **Interest in leasehold land held for own use under operating leases** RMB'000 |
|---|---|
| **Cost:** | |
| At 1 January 2016 | 5,156,773 |
| Acquisitions through business combination | 188,180 |
| Additions | 267,779 |
| Disposals | (9,591) |
| At 31 December 2016 | 5,603,141 |
| At 1 January 2017 | 5,603,141 |
| Acquisition through business combination (Note 4) | 170,320 |
| Transfer to investment properties | (2,735) |
| Additions | 46,677 |
| Disposals | (6,763) |
| At 31 December 2017 | 5,810,640 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 15 LEASE PREPAYMENTS (CONTINUED)

| | **Interest in leasehold land held for own use under operating leases** RMB'000 |
|---|---|
| **Accumulated amortisation:** | |
| At 1 January 2016 | 667,678 |
| Charge for the year | 117,481 |
| Written back on disposals | (1,692) |
| At 31 December 2016 | 783,467 |
| At 1 January 2017 | 783,467 |
| Charge for the year | 124,320 |
| Transfer to investment properties | (656) |
| Written back on disposals | (1,415) |
| At 31 December 2017 | 905,716 |
| **Net book value:** | |
| At 31 December 2017 | 4,904,924 |
| At 31 December 2016 | 4,819,674 |

Up to the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2017 was approximately RMB180,640,000 (2016: RMB227,769,000). The directors are of the opinion that the Group is entitled to legally occupy or use these land use rights.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 16 INTANGIBLE ASSETS

| | Limestone mining rights RMB'000 | Clay mining rights RMB'000 | Others (note) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2016 | 3,444,027 | 45,867 | 28,507 | 3,518,401 |
| Acquisition through business combination | 26,357 | – | 5,291 | 31,648 |
| Additions | 93,923 | 7,218 | 39,296 | 140,437 |
| At 31 December 2016 | 3,564,307 | 53,085 | 73,094 | 3,690,486 |
| At 1 January 2017 | 3,564,307 | 53,085 | 73,094 | 3,690,486 |
| Acquisition through business combination (Note 4) | 111,936 | – | – | 111,936 |
| Additions | 227,632 | 3,670 | 58,787 | 290,089 |
| At 31 December 2017 | 3,903,875 | 56,755 | 131,881 | 4,092,511 |
| **Accumulated amortisation:** | | | | |
| At 1 January 2016 | 622,844 | 13,579 | 3,830 | 640,253 |
| Charge for the year | 132,265 | 2,793 | 2,545 | 137,603 |
| At 31 December 2016 | 755,109 | 16,372 | 6,375 | 777,856 |
| At 1 January 2017 | 755,109 | 16,372 | 6,375 | 777,856 |
| Charge for the year | 101,544 | 2,910 | 14,124 | 118,578 |
| At 31 December 2017 | 856,653 | 19,282 | 20,499 | 896,434 |
| **Net book value:** | | | | |
| At 31 December 2017 | 3,047,222 | 37,473 | 111,382 | 3,196,077 |
| At 31 December 2016 | 2,809,198 | 36,713 | 66,719 | 2,912,630 |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 16 INTANGIBLE ASSETS (CONTINUED)

Up to the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain limestone and clay mining rights. The aggregate carrying value of such limestone and clay mining rights of the Group as at 31 December 2017 was approximately RMB21,799,000 (2016: RMB17,970,000). The directors are of the opinion that the Group is entitled to legally use these limestone and clay mining rights.

### 17 GOODWILL

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Carrying amount:** | | |
| At 1 January | **493,648** | 463,731 |
| Acquisitions through business combinations | **–** | 29,917 |
| At 31 December | **493,648** | 493,648 |

**Impairment tests for cash-generating units containing goodwill**

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

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a five-year period approved by management. Cash flows beyond the five-year period are extrapolated to be the same as that of the respective final forecast year on existing production capacity. No impairment was recorded. The pre-tax discount rate of 10.48% (2016:11.42%) reflects current market assessment of the time value of money and specific risks relating to the Group.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2017 are as follows (Hong Kong dollars referred to as "HK$", United States dollars referred to as "USD"):

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司 | RMB 15,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |
| Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司 | RMB 5,000,000 | 100% | 100% | – | Sale of clinker and cement products |
| Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司 | RMB 590,000,000 | 100% | 99.75% | 0.25% | Manufacture and sale of clinker and cement products |
| Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司 | RMB 14,000,000 | 76% | 76% | – | Manufacture and sale of clinker and cement products |
| Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司 | RMB 410,000,000 | 100% | 99.27% | 0.73% | Manufacture and sale of clinker and cement products |
| Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司 | RMB 950,000,000 | 100% | 99.67% | 0.33% | Manufacture and sale of clinker and cement products |
| Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司 | RMB 11,520,000 | 93.75% | 93.75% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司 | RMB 54,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司 | RMB 110,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 紹興上虞海螺水泥有限責任公司 | RMB 16,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西盧山海螺水泥有限公司 | RMB 100,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司 | RMB 170,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司 | RMB 20,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司 | RMB 273,250,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司 | RMB 20,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |
| Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司 | RMB 20,000,000 | 100% | – | 100% | Manufacture and sale of clinker and cement products |
| Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司 | RMB 70,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司 | RMB 105,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司 | RMB 80,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司 | RMB 32,960,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司 | RMB 492,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司 | RMB 406,500,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司 | RMB 660,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司 | RMB 400,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司 | RMB 580,000,000 | 75% | 70% | 5% | Manufacture and sale of clinker and cement products |
| Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司 | RMB 200,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司 | RMB 328,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Conch Construction 安徽蕪湖海螺建築安裝工程有限責任公司 | RMB 30,000,000 | 100% | 100% | – | Provision of construction and installation services for industrial purposes |
| Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司 | RMB 350,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司 | RMB 110,240,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司 | RMB 450,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司 | RMB 100,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司 | RMB 189,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Yangzhou Conch Cement Co., Ltd. ("Yangzhou Conch") 揚州海螺水泥有限責任公司 | RMB 210,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司 | RMB 457,500,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司 | RMB 421,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Shanghai Conch Construction Material International Trading Co.Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司 | RMB 10,000,000 | 100% | 100% | – | Export sales of clinker and cement products |
| Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑膠製品有限公司 | RMB 30,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑膠包裝有限公司 | RMB 53,554,100 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Shanghai Conch Logistic Co., Ltd. ("Conch Logistic") 上海海螺物流有限公司 | RMB 10,000,000 | 100% | 100% | – | Logistic services |
| Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司 | RMB 40,000,000 | 100% | 100% | – | Logistic services |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司 | RMB 10,000,000 | 100% | 100% | – | Logistic services |
| Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑膠包裝有限責任公司 | RMB 6,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司 | RMB 113,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Pingliang Conch 平涼海螺水泥有限責任公司 | RMB 470,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司 | RMB 290,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Yueqing Conch Cement Co., Ltd. ("Yueqing Conch") 樂清海螺水泥有限責任公司 | RMB 238,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司 | RMB 350,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司 | RMB 150,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Guangyuan Conch 廣元海螺水泥有限責任公司 | RMB 480,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Guangdong Qingxin Cement Co., Ltd. ("Qingxin Conch") 廣東清新水泥有限公司 | RMB 320,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Chongqing Conch 重慶海螺水泥有限責任公司 | RMB 550,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司 | RMB 165,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司 | RMB 100,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Lu'an Conch Cement Co., Ltd. ("Lu'an Conch") 六安海螺水泥有限責任公司 | RMB 89,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Dazhou Conch 達州海螺水泥有限責任公司 | RMB 480,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Liquan Conch 禮泉海螺水泥有限責任公司 | RMB 480,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Qianyang Conch 千陽海螺水泥有限責任公司 | RMB 490,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司 | RMB 266,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑膠包裝有限責任公司 | RMB 20,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司 | RMB 225,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司 | RMB 20,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Guiyang Conch 貴陽海螺盤江水泥有限責任公司 | RMB 706,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Guiding Conch 貴定海螺盤江水泥有限責任公司 | RMB 460,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zunyi Conch 遵義海螺盤江水泥有限責任公司 | RMB 530,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zhuangxiang Conch 雲南壯鄉水泥股份有限公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of clinkers and cement products |
| Baoshan Conch 保山海螺水泥有限責任公司 | RMB 300,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Longan Conch* 隆安海螺水泥有限責任公司 | RMB 120,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Refractory Material 安徽海螺暹羅耐火材料有限公司 | RMB 100,000,000 | 70% | 70% | – | Manufacture and sale of refractory material |
| Tongren Conch 銅仁海螺盤江水泥有限責任公司 | RMB 510,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jinlinghe 寶雞市眾喜金陵河水泥有限公司 | RMB 372,376,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Fenghuangshan 寶雞眾喜鳳凰山水泥有限公司 | RMB 928,800,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Qianxian Conch 乾縣海螺水泥有限責任公司 | RMB 560,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Liukuangruian 貴州六礦瑞安水泥有限公司 | RMB 477,450,000 | 51% | 51% | – | Manufacture and sale of clinker and cement products |
| Liangping Conch 梁平海螺水泥有限責任公司 | RMB 300,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Qianxinan 黔西南州發展資源開發有限公司 | RMB 250,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Bazhong Conch 巴中海螺水泥有限責任公司 | RMB 280,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Wenshan Conch 文山海螺水泥有限責任公司 | RMB 280,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司 | RMB 30,000,000 | 70% | 70% | – | Manufacture and sale of clinker and cement products |
| Nanwei Cement 四川南威水泥有限公司 | RMB 168,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司 | RMB 50,000,000 | 80% | 80% | – | Manufacture and sale of clinker and cement products |
| Hami Construction 哈密弘毅建材有限責任公司 | RMB 100,000,000 | 80% | 80% | – | Manufacture and sale of clinker and cement products |
| Hami Xingyi Mining Co., Ltd. ("Hami Mining") 哈密興義礦業有限責任公司 | RMB 3,000,000 | 80% | – | 80% | Mining and related service |
| Lingyun Tonghong 廣西淩雲通鴻水泥有限公司 | RMB 80,000,000 | 80% | 80% | – | Manufacture and sale of clinker and cement products |
| Maoming Dadi Cement Co., Ltd. ("Maoming Dadi") 茂名市大地水泥有限公司 | RMB 60,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Jinxian Conch Cement Co., Ltd. ("Jinxian Conch") 進賢海螺水泥有限責任公司 | RMB 42,000,000 | 70% | 70% | – | Manufacture and sale of clinker and cement products |
| Linxia Conch 臨夏海螺水泥有限責任公司 | RMB 350,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Conch International<br>海螺國際控股(香港)有限公司 | HK$<br>300,000,000 | 100% | 100% | – | Investment and trading |
| Conch Material Trading Co., Ltd.<br>("Conch Material")<br>安徽海螺物資貿易有限責任公司 | RMB<br>50,000,000 | 100% | 100% | – | Sale of clinker and cement products |
| Wuxi Conch Sales Cement Co., Ltd.<br>("Wuxi Sales")<br>無錫海螺水泥銷售有限公司 | RMB<br>100,000,000 | 100% | 100% | – | Sale of clinker and cement products |
| Yingjiangyunhan<br>盈江縣允罕水泥有限公司 | RMB<br>300,000,000 | 99% | 99% | – | Manufacture and sale of clinker and cement products |
| Baoji Conch Plastic Packaging Co., Ltd.<br>("Baoji Plastic")<br>寶雞海螺塑膠包裝有限責任公司 | RMB<br>10,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Shaoyang Yeafing New Energy Co., Ltd.<br>("Yeafing New Energy")<br>邵陽市雲峰新能源科技有限公司 | RMB<br>120,000,000 | 65% | 65% | – | Sale and development of profile and related products |
| Hunan Yeafing Cement Co., Ltd.<br>("Yeafing Cement")<br>湖南省雲峰水泥有限公司 | RMB<br>93,000,000 | 65% | 65% | – | Manufacture and sale of clinker and cement products |
| Shuicheng Conch Panjiang Cement Co., Ltd.<br>("Shuicheng Conch")**<br>水城海螺盤江水泥有限責任公司 | RMB<br>507,600,000 | 40% | 40% | – | Manufacture and sale of clinker and cement products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Kunming Conch Cement Co., Ltd. ("Kunming Conch")* 昆明海螺水泥有限公司 | USD 30,506,700 | 80% | 80% | – | Manufacture and sale of clinker and cement products |
| Lianyuan Conch Cement Co., Ltd. ("Lianyuan Cement")* 漣源海螺水泥有限公司 | USD 74,800,000 | 80% | 80% | – | Manufacture and sale of clinker and cement products |
| Ganzhou Conch 贛州海螺水泥有限責任公司 | RMB 400,000,000 | 55% | 55% | – | Manufacture and sale of clinker and cement products |
| Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司 | RMB 500,000,000 | 100% | 100% | – | Manufacture and sale of clinker and cement products |
| Guiding Conch Plastic Packaging Co., Ltd. ("Guiding Plastic") 貴定海螺塑膠包裝有限責任公司 | RMB 20,000,000 | 100% | 100% | – | Manufacture and sale of cement packaging |
| Fenghuang Construction 陝西銅川鳳凰建材有限公司**** | RMB 584,612,000 | 65% | 65% | – | Manufacture and sale of clinker and cement products |
| Zunyi Huaihui New Material Co., Ltd. ("Haihui New Material")*** 遵義海匯新材料有限責任公司 | RMB 45,000,000 | 60% | 60% | – | Manufacture and sale of concrete products |
| Chizhou Conch New Material Co., Ltd. ("Chizhou New Material")*** 池州海螺新材料有限責任公司 | RMB 50,000,000 | 100% | 100% | – | Manufacture and sale of concrete products |
| Guangyuan Conch New Material Co., Ltd. ("Guangyuan New Material")*** 廣元海螺新材料有限責任公司 | RMB 40,000,000 | 90% | 90% | – | Manufacture and sale of concrete products |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of registered and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| Bazhong Conch Construction Co.,Ltd ("Bazhong Constructuion")*** 巴中海螺建材有限責任公司 | RMB 50,000,000 | 90% | 90% | – | Manufacture and sale of clinker and cement products |
| Anhui Jiangbei Haizhong Construction Trading Co., Ltd. ("Jiangbei Construction")*** 安徽江北海中建材貿易有限責任公司 | RMB 10,000,000 | 51% | 51% | – | Investment and trading |
| Chongqing Material Trading Co., Ltd. ("Chongqing Trading")*** 重慶海螺物資貿易有限責任公司 | RMB 100,000,000 | 100% | 100% | – | Investment and trading |
| Xingan Conch New Material Co., Ltd. ("Xingan New Material")*** 興安海螺新材料有限責任公司 | RMB 40,000,000 | 70% | 70% | – | Manufacture and sale of concrete products |
| Wuhu Conch Mining Co., Ltd. ("Wuhu Mining")*** 蕪湖海螺礦業有限責任公司 | RMB 12,000,000 | 70% | 70% | – | Mining and selling aggregates |

* Guangxi Sihegongmao Co., Ltd. changed its name to Longan Conch Cement Co., Ltd., Kunming Hongxi Cement Co., Ltd. changed its name to Kunming Conch Cement Co., Ltd., Goldsun (Hunan) Cement Co., Ltd. changed its name to Lianyuan Conch Cement Co., Ltd. in 2017.

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established overseas, at 31 December 2017 are as follows (United States dollars referred to as "USD"):

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Particulars of issued and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| PT Conch West Kalimantan Cement ("West Kalimantan Conch") 西加裡曼丹海螺水泥貿易有限公司 | USD 4,000,000 | 100% | – | 100% | Sale of clinker and cement products |
| Battambang Conch 馬德望海螺水泥有限公司 | USD 50,000,000 | 60% | – | 60% | Sale of cement products and provision of related services |
| Volga Conch 伏爾加海螺水泥有限責任公司 | USD 700,000 | 75% | 75% | – | Manufacture and sale of clinker and cement products |
| Luangprabang Conch 瑯勃拉邦海螺水泥有限公司 | USD 23,000,000 | 70% | – | 70% | Manufacture and sale of clinker and cement products |
| Vientiane Conch*** 萬象海螺水泥有限公司 | USD 1,000,000 | 75% | – | 75% | Manufacture and sale of clinker and cement products |
| Myanmar Conch Cement (Mandalay) Co., Ltd. ("Mandalay Conch")*** 緬甸海螺(曼德勒)水泥有限公司 | USD 45,000,000 | 55% | 55% | – | Manufacture and sale of clinker and cement products |

*** These subsidiaries were newly established by the Group in 2017.

**** This subsidiary was acquired by the Group in 2017. Details please refer to Note 4.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| NCI percentage | **1.29% ~ 60%** | 1.29% ~ 60% |
| Current assets | **7,274,931** | 6,402,686 |
| Non-current assets | **15,725,632** | 19,845,386 |
| Current liabilities | **(9,543,518)** | (10,130,215) |
| Non-current liabilities | **(3,901,031)** | (5,491,713) |
| Net assets | **9,556,014** | 10,626,144 |
| Carrying amount of NCI | **2,539,345** | 3,669,278 |
| | | |
| Revenue | **15,643,971** | 12,626,637 |
| Profit for the year | **1,773,381** | 1,256,967 |
| Total comprehensive income | **1,748,546** | 1,278,012 |
| Total comprehensive income allocated to NCI | **565,741** | 432,764 |
| Dividend paid to NCI | **294,824** | 225,488 |
| Cashflows from operating activities | **2,447,204** | 1,510,220 |

Note: On 15 March 2017, the Group increased its investment in Yingjiangyunhan by RMB272,673,000. After the investment increase, the Group's equity interests in Yingjiangyunhan increased from 90% to 99%.

During 2017, the Group increased its investment in Battambang Conch by USD12,000,000 and also acquired equity interests in Battambang Conch from its non-controlling shareholder at the consideration of USD 900,000. After the completion of these additional investments, the Group's equity interests in Battambang Conch increased from 51% to 60%.

On 21 August 2017, the Group purchased 50%, 50%, 50%, 49% and 49% of the total equity interests in Guiyang Conch, Guiding Conch, Zunyi Conch, Qianxinan Conch and Tongren Conch respectively from their non-controlling shareholder at the total consideration of RMB1,801,375,000. After the completion of these transactions, the equity interests of the Group in the above subsidiaries increased to 100%.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Share of net assets | **1,579,128** | 1,992,104 |
| Goodwill | **8,825** | 150,942 |
| | **1,587,953** | 2,143,046 |

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

| Name of associate | Particulars of registered and paid up capital | Listed/ Unlisted Company | Proportion of ownership interest: Group's Effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| West China Cement Limited ("West Cement") 中國西部水泥有限公司 | GBP 20,000,000 | Listed | 21.16% | – | 21.16% | Manufacture and sale of cement related products |
| Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司 | USD 15,000,000 | Unlisted | 40% | 40% | – | Manufacture and sale of cement related products |

Note: During the year ended 31 December 2017, the Group disposed an associate, Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") 新疆青松建材化工(集團)股份有限公司, at an amount of RMB980,609,000 resulting in a net disposal gain of RMB303,104,000. The share of loss of Qingsong Building Materials and Chemicals before disposal was RMB42,361,000 during the year ended 31 December 2017 (year ended 31 December 2016: RMB65,474,000).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES (CONTINUED)

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

| | West Cement | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Gross amounts of the associate** | | |
| Current assets | **2,995,935** | 2,515,084 |
| Non-current assets | **9,300,365** | 9,305,662 |
| Current liabilities | **(2,142,308)** | (2,399,719) |
| Non-current liabilities | **(2,900,925)** | (2,868,501) |
| Equity | **7,253,067** | 6,552,526 |
| Equity attributable to equity shareholders of the associate | **7,203,035** | 6,501,799 |
| Revenue | **4,760,038** | 3,719,280 |
| Gain/(loss) from continuing operations | **711,388** | (2,220) |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **711,388** | (2,220) |
| Dividend received from the associate | **–** | – |
| **Reconciled to the Group's interests in the associate** | | |
| Gross amounts of net assets of the associate | **7,203,035** | 6,501,799 |
| Group's effective interest | **21.16%** | 21.17% |
| Group's share of net assets of the associate | **1,525,758** | 1,383,434 |
| Goodwill | **8,825** | 8,825 |
| Carrying amount in the consolidated financial statements | **1,534,583** | 1,392,259 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 19 INTEREST IN ASSOCIATES (CONTINUED)

| | Other associates | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Gross amounts of the associate** | | |
| Current assets | **129,088** | 2,153,995 |
| Non-current assets | **–** | 9,846,999 |
| Current liabilities | **–** | (3,203,484) |
| Non-current liabilities | **–** | (3,150,494) |
| Equity | **129,088** | 5,647,016 |
| Equity attributable to equity shareholders of the associate | **–** | 5,454,681 |
| Revenue | **341,310** | 1,799,212 |
| Gain/(loss) from continuing operations | **(370,458)** | (622,955) |
| Other comprehensive income | **(1,382)** | 497 |
| Total comprehensive income | **(371,840)** | (622,458) |
| Dividend received from the associate | **–** | – |
| **Reconciled to the Group's interests in the associate** | | |
| Gross amounts of net assets of the associate | **129,088** | 5,454,681 |
| Group's effective interest | **40%** | 10.59%–40% |
| Group's share of net assets of the associate | **51,635** | 606,935 |
| Goodwill | **–** | 142,117 |
| Others | **1,735** | 1,735 |
| Carrying amount in the consolidated financial statements | **53,370** | 750,787 |

### 20 INTEREST IN JOINT VENTURES

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Share of net assets | **1,171,138** | 1,140,711 |
| Goodwill | **31,672** | 31,672 |
| | **1,202,810** | 1,172,383 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 20 INTEREST IN JOINT VENTURES (CONTINUED)

Details of the Group's interest in joint ventures, which are unlisted and operating in the PRC and overseas, at 31 December 2017 are as follows:

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 20 INTEREST IN JOINT VENTURES (CONTINUED)

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

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Gross amounts of joint ventures** | | |
| Current assets | **2,100,901** | 2,251,670 |
| Non-current assets | **4,839,798** | 5,012,023 |
| Current liabilities | **(2,336,720)** | (2,540,386) |
| Non-current liabilities | **(1,810,079)** | (2,042,242) |
| Equity | **2,793,900** | 2,681,065 |
| Equity attributable to equity shareholders of the joint ventures | **2,763,277** | 2,655,522 |
| Included in the above assets and liabilities: | | |
| Cash and cash equivalents | **295,364** | 448,516 |
| Current financial liabilities (excluding trade and other payable and provisions) | **245,333** | 180,000 |
| Revenue | **3,356,038** | 1,711,935 |
| Profit/(loss) from continuing operations | **114,945** | (23,638) |
| Other comprehensive income | **(29,684)** | 47,723 |
| Total comprehensive income | **85,261** | 24,085 |
| Dividend received from the joint ventures | **24,069** | 19,999 |
| Included in the above profit: | | |
| Depreciation and amortisation | **(212,164)** | (188,157) |
| Interest income | **1,900** | 3,923 |
| Interest expense | **(99,644)** | (60,115) |
| Income tax expense | **(99,011)** | (34,036) |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 20 INTEREST IN JOINT VENTURES (CONTINUED)

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Reconciled to the Group's interest in joint ventures** | | |
| Gross amounts of net assets | **2,763,277** | 2,655,522 |
| Group's effective interest | **40% – 50%** | 40% – 50% |
| Group's share of net assets of the joint ventures | **1,225,222** | 1,198,161 |
| Goodwill | **31,672** | 31,672 |
| Other adjustment | **(54,084)** | (57,450) |
| Carrying amount in the consolidated financial statements | **1,202,810** | 1,172,383 |

### 21 LOANS AND RECEIVABLES

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Loans and receivables | **392,605** | 360,409 |
| Less: current portion of loans and receivables (note 26) | **(129,229)** | (153,579) |
| | **263,376** | 206,830 |

As at 31 December 2017, loans and receivables of the Group mainly represent a loan to a related party of the Group and advances made to local government authorities. The loan of RMB27,960,000 was made to Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") (建德市成利建材有限公司) and is repayable in 2020 at a fixed interest rate of 6% per annum. The advances of RMB97,000,000 (2016: RMB148,310,000) to government authorities are unsecured, bearing interest at rates from 4.35% to 4.75% (2016: from 4.35% to 4.75%) per annum, and repayable from 2018 to 2020. The remaining advances of RMB267,645,000 (2016: RMB212,099,000) is unsecured, interest-free and repayable from 2018 to 2022.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 22 AVAILABLE-FOR-SALE EQUITY SECURITIES

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Available-for-sale equity securities | | |
| – listed in the PRC | **461,409** | 2,935,177 |

All available-for-sale equity securities held by the Group are listed on Shanghai Stock Exchange ("SSE"). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2017.

### 23 PREPAYMENT FOR LONG-TERM ASSETS

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Prepayment for properties | **–** | 28,912 |
| | **–** | 28,912 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 24 INVENTORIES

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Raw materials | **2,314,169** | 1,961,930 |
| Work in progress | **226,050** | 203,659 |
| Finished goods | **1,837,342** | 1,987,760 |
| Spare parts | **327,639** | 395,185 |
| | **4,705,200** | 4,548,534 |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Carrying amount of inventories sold | **48,198,704** | 37,569,430 |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 25 TRADE RECEIVABLES

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Trade debtors | **1,061,397** | 643,181 |
| Less: allowance for doubtful debts (note 25(b)) | **(8,982)** | (8,982) |
| | **1,052,415** | 634,199 |
| Bank acceptance notes (note 25(d)) | **11,080,411** | 6,470,607 |
| Commercial acceptance notes | **46,932** | 40,487 |
| | **12,179,758** | 7,145,293 |

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

#### (a) Ageing analysis

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Within 2 months | **12,176,929** | 7,144,324 |
| 2 to 4 months | **2,829** | 969 |
| | **12,179,758** | 7,145,293 |

Trade debtors are due within 30 to 60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 1 year from the date of issuance.

Further details on the Group's credit policy are set out in note 37(a).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 25 TRADE RECEIVABLES (CONTINUED)

**(b) Impairment of trade debtors and notes receivable**

Impairment losses in respect of trade debtors and notes receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and notes receivable directly (see note 2(o)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At 1 January and 31 December | **8,982** | 8,982 |

At 31 December 2017, none of the Group's trade receivables were individually determined to be impaired (2016: Nil).

**(c) Trade debtors and notes receivable that are not impaired**

The ageing analysis of trade debtors and notes receivable that are neither individually nor collectively considered to be impaired are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **12,176,929** | 7,144,324 |
| Overdue within 60 days (inclusive) | **2,829** | 969 |
| | **12,179,758** | 7,145,293 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 25 TRADE RECEIVABLES (CONTINUED)

**(c) Trade debtors and notes receivable that are not impaired (continued)**

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

**(d) Bank acceptance notes**

As at 31 December 2017, the Group endorsed the undue bank acceptance notes of RMB1,741,114,000 (2016: RMB1,139,306,000) to its suppliers to settle trade payables of the same amounts and derecognised these notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue notes have been substantially transferred. The Group's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2017, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMB1,741,114,000 (2016: RMB1,139,306,000), which the Group endorsed to its suppliers. The endorsed undue notes receivable will be derecognised if management consider, based on its 'risks and rewards' evaluation, that the Group has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2017, the undue notes receivable of RMB1,759,588,000 (2016: RMB1,193,896,000) endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 26 PREPAYMENTS AND OTHER RECEIVABLES

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Purchase prepayments | **772,807** | 579,828 |
| Current portion of loans and receivables (note 21) | **129,229** | 153,579 |
| Loan to a related party* | **–** | 27,960 |
| Value-added tax recoverable and other tax prepayment | **356,647** | 561,843 |
| Interest receivable | **158,913** | 114,888 |
| Wealth management product issued by bank and investment income receivable** | **2,024,197** | – |
| Other receivables | **669,173** | 466,071 |
| | **4,110,966** | 1,904,169 |

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

* Loan to a related party of the Group is provided to Chengli Building Material, which was repaid in September 2017. Meanwhile, a new loan of RMB27,960,000 was made to Chengli Building Material in 2017, which has been disclosed in note 21.

** As at 31 December 2017, the balance represents an investment in a short-term wealth management product issued by a bank in September 2017. The principal amount of the product is RMB2,000,000,000 with a fixed interest rate of 4.6% per annum. The principal amount of the above wealth management product and the related investment income were received on 20 March 2018.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 27 AMOUNTS DUE FROM/TO RELATED PARTIES

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Amounts due from:** | | |
| Papua Cement | **59,340** | 38,368 |
| Conch Kawasaki Equipment | **35,282** | 71,142 |
| Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院 | **30,746** | 13,923 |
| Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司 | **28,842** | 42,474 |
| Myanmar Conch | **21,060** | 27,300 |
| Wuhu Conch Investment Ltd. and its subsidiaries ("WH Investment and its subsidiaries") 蕪湖海螺投資有限公司及其附屬公司 | **17,023** | 10,221 |
| Anhui Conch Kawasak Engineering Co., Ltd. and its subsidiaries ("CK Engineering and its subsidiaries") 安徽海螺川崎工程有限公司及其附屬公司 | **7,429** | 75,406 |
| Xiangshan Cement and its subsidiaries | **5,986** | – |
| Chengli Building Material | **5,249** | 14,742 |
| Other related parties | **8,702** | 8,376 |
| | **219,659** | 301,952 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| **Amounts due to:** | | |
| Conch Kawasaki Equipment | **97,234** | 57,233 |
| CK Equipment | **51,813** | 89,898 |
| Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司 | **22,412** | 39,247 |
| Papua Cement | **13,481** | – |
| Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限公司 | **4,646** | 5,965 |
| CK Engineering and its subsidiaries | **4,157** | 32,664 |
| Conch Design Institute | **1,054** | – |
| Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限責任公司 | **–** | 9,736 |
| Other related parties | **1,712** | 973 |
| | **196,509** | 235,716 |

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 40. The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

### 28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

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

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Bank deposits with maturity within three months | **5,500,000** | 1,500,000 |
| Cash at bank and on hand | **4,928,932** | 4,299,566 |
| Cash and cash equivalents in the statement of financial position and consolidated cash flow statement | **10,428,932** | 5,799,566 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

#### (b) Reconciliation of profit before taxation to cash generated from operations

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Profit before taxation** | | **21,274,880** | 11,699,329 |
| **Adjustments for:** | | | |
| Depreciation | 7(c) | **4,590,278** | 4,497,635 |
| Impairment loss on property, plant and equipment | 7(c) | **–** | 377,956 |
| Reversal of impairment loss on trade and other receivables | 7(c) | **(12)** | (109) |
| Amortisation of interest in leasehold land held for own use under operating leases | 7(c) | **124,320** | 117,481 |
| Amortisation of intangible assets | 7(c) | **118,578** | 137,603 |
| Finance costs | 7(a) | **683,988** | 792,038 |
| Interest income | 6 | **(643,830)** | (362,758) |
| Share of (profits)/losses of associates | | **(111,827)** | 64,695 |
| Share of (profits)/losses of joint ventures | | **(2,278)** | 71,886 |
| Net gain on disposal of property, plant and equipment and lease prepayments | 6 | **(41,240)** | (100,696) |
| Net realised and unrealised (gain)/loss on derivative financial instruments | 6 | **(2,307)** | 2,912 |
| Net gain on disposal of available-for-sale equity securities | 6 | **(1,556,793)** | (501,365) |
| Net gain on disposal of interest in an associate | 6 | **(303,104)** | – |
| Net gain on maturity of wealth management products issued by bank | 6 | **(44,910)** | – |
| Negative goodwill | | **(491)** | – |
| Dividend income from listed securities | 6 | **(1,817)** | (3,939) |
| **Before changes in working capital carried forward** | | **24,083,435** | 16,792,668 |
| **Changes in working capital:** | | | |
| Increase in inventories | | **(139,539)** | (240,597) |
| Increase in trade receivables | | **(4,364,519)** | (2,237,148) |
| (Increase)/decrease in prepayments and other receivables | | **(155,874)** | 579,964 |
| Increase in amounts due from related parties | | **(35,176)** | (16,468) |
| (Decrease)/Increase in trade payables | | **(277,962)** | 299,949 |
| Increase in other payables and accruals | | **1,854,192** | 281,030 |
| Increase in amounts due to related parties | | **2,832** | 24,884 |
| Increase in deferred income | | **44,519** | 32,887 |
| **Cash generated from operations** | | **21,011,908** | 15,517,169 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

#### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | Bank loans and other borrowings RMB'000 (Notes 31 & 32) | Unsecured debentures RMB'000 (Notes 31 & 32) | Other payables and accruals RMB'000 (Note 30) | Total RMB'000 |
|---|---|---|---|---|
| **At 1 January 2017** | 7,485,237 | 8,495,504 | 7,293,525 | 23,274,266 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from new bank loans and other borrowings | 1,827,438 | – | – | 1,827,438 |
| Repayment of bank loans and other borrowings | (1,452,081) | (2,499,645) | – | (3,951,726) |
| Dividends paid to non-controlling interests of non-wholly owned subsidiaries | – | – | (136,759) | (136,759) |
| Other payments related to financing activities | – | – | (265,919) | (265,919) |
| Total changes from financing cash flows | 375,357 | (2,499,645) | (402,678) | (2,526,966) |
| **Exchange adjustments** | 120,658 | – | – | 120,658 |
| **Other changes:** | | | | |
| Change in other payables and accruals of operating and investing activities | – | 1,907 | 1,238,285 | 1,240,192 |
| Dividends declared to non-controlling interests of non-wholly owned subsidiaries | – | – | 294,824 | 294,824 |
| Total other changes | – | 1,907 | 1,533,109 | 1,535,016 |
| **At 31 December 2017** | 7,981,252 | 5,997,766 | 8,423,956 | 22,402,974 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 29 TRADE PAYABLES

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Trade payables | **4,967,098** | 4,362,893 |

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

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Within 1 year (inclusive) | **4,957,436** | 4,330,228 |
| Between 1 year and 2 years (inclusive) | **2,335** | 17,748 |
| Between 2 years and 3 years (inclusive) | **1,676** | 6,807 |
| Over 3 years | **5,651** | 8,110 |
| | **4,967,098** | 4,362,893 |

### 30 OTHER PAYABLES AND ACCRUALS

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Construction cost payables | **1,211,296** | 1,588,876 |
| Receipts in advance from customers | **2,143,500** | 1,549,815 |
| Deposits from suppliers | **864,619** | 760,973 |
| Retention monies | **356,708** | 474,920 |
| Expense accruals | **255,285** | 224,109 |
| Value-added tax payables | **644,508** | 200,709 |
| Other taxes payables | **963,911** | 692,922 |
| Interest payable | **118,392** | 131,609 |
| Dividend payable | **258,065** | 100,000 |
| Payables for acquisition of subsidiaries | **433,081** | 686,864 |
| Payroll payables | **1,030,652** | 724,510 |
| Other payables | **143,939** | 158,218 |
| | **8,423,956** | 7,293,525 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 31 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank loans (note 33) | | |
| – unsecured | **3,120,771** | 1,970,714 |
| – secured (note 14) | **–** | 60,000 |
| Unsecured debentures (note 32(b)(i)) | **2,499,305** | 2,499,645 |
| Other borrowings | | |
| – unsecured (note 32(b)(ii)) | **–** | 7,273 |
| | **5,620,076** | 4,537,632 |

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

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank loans (note 33) | | |
| – unsecured | **4,860,481** | 5,447,250 |
| Unsecured debentures (note 32(b)(i)) | **3,498,461** | 5,995,859 |
| | **8,358,942** | 11,443,109 |

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS (CONTINUED)

**(b) Significant terms and repayment schedule of non-bank borrowings:**

(i) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years ("5-year bond") and RMB2,500,000,000 with a maturity period of 7 years ("7-year bond"). The 5-year bond and the 7-year bond carried fixed annual interest rate of 5.08% and 5.20% respectively, which will be repaid annually. The principal of the 5-year bond was fully repaid on 23 May 2016. The 7-year bond has been reclassified to the current borrowings as of 31 December 2017.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years ("5-year bond") and RMB3,500,000,000 with a maturity period of 10 years ("10-year bond"). The 5-year bond and the 10-year bond carried fixed annual interest rate of 4.89% and 5.10% respectively, which will be repaid annually. The principal of the 5-year bond was repaid on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

(ii) Other unsecured borrowings represent national debt loan (國債轉貸) provided by the Anhui Provincial Department of Finance, which was repaid in June 2017.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 33 BANK LOANS

At 31 December 2017, the bank loans were repayable as follows:

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Within 1 year or on demand (note 31) | **3,120,771** | 2,030,714 |
| After 1 year but within 2 years | **2,616,794** | 2,209,147 |
| After 2 years but within 5 years | **1,590,715** | 2,883,278 |
| After 5 years | **652,972** | 354,825 |
| Total non-current bank loans (note 32(a)) | **4,860,481** | 5,447,250 |
| | **7,981,252** | 7,477,964 |

As at 31 December 2017, there were no unsecured bank loans of the Group (2016: Nil) guaranteed by Conch Holdings.

As at 31 December 2017, unsecured bank loans of the Group totalling RMB170,000,000 (2016: RMB393,500,000) were guaranteed by Guizhou Panjiang Investment Holdings ("Panjiang Investment"). Panjiang Investment is an ex-non-controlling shareholder of the Group.

As at 31 December 2017, total banking facilities of the Group amounted to RMB123,246,789,000 (2016: RMB96,990,950,000). These facilities utilised as bank loans were to the extent of RMB7,981,252,000 (2016: RMB7,457,728,000) as at 31 December 2017.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At 1 January | **522,036** | (85,098) |
| Provision for the PRC Corporate Income Tax for the year (note 8(a)) | **4,984,463** | 2,927,546 |
| PRC Corporate Income Tax paid for current year | **(3,648,880)** | (2,320,412) |
| At 31 December | **1,857,619** | 522,036 |
| Representing: | | |
| Tax recoverable | **(49,045)** | (97,423) |
| Tax payable | **1,906,664** | 619,459 |
| | **1,857,619** | 522,036 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

**(b) Deferred tax assets and liabilities recognised:**

*(i) Movement of each component of deferred tax assets and liabilities*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Allowances and impairment RMB'000 | Unrealised profits (note) RMB'000 | Arising from business combination RMB'000 | Tax losses RMB'000 | Depreciation of fixed asset RMB'000 | Deferred income RMB'000 | Fair value change of available-for-sale equity securities RMB'000 (Note 11) | Fair value change of derivatives and trading securities RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Deferred tax arising from:** | | | | | | | | | |
| At 1 January 2016 | (13,276) | (220,082) | 301,755 | (195,272) | 11,477 | (26,129) | 247,540 | (1,602) | 104,411 |
| (Credited)/Charged to income statement | (89,901) | (22,936) | (11,626) | 54,606 | (4,690) | (18,983) | – | 1,602 | (91,928) |
| Credited to reserves | – | – | – | – | – | – | (67,655) | – | (67,655) |
| At 31 December 2016 | (103,177) | (243,018) | 290,129 | (140,666) | 6,787 | (45,112) | 179,885 | – | (55,172) |
| At 1 January 2017 | (103,177) | (243,018) | 290,129 | (140,666) | 6,787 | (45,112) | 179,885 | – | (55,172) |
| Charged/(Credited) to income statement | 9,414 | (92,072) | (49,740) | (31,129) | (1,487) | (20,004) | – | 577 | (184,441) |
| Credited to reserves | – | – | – | – | – | – | (75,835) | – | (75,835) |
| Arising from acquisition | (2,191) | – | 18,053 | (12,286) | – | – | – | – | 3,576 |
| At 31 December 2017 | (95,954) | (335,090) | 258,442 | (184,081) | 5,300 | (65,116) | 104,050 | 577 | (311,872) |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 34 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

**(b) Deferred tax assets and liabilities recognised: (continued)**

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Net deferred tax assets recognised on the consolidated statement of financial position | **(677,819)** | (529,547) |
| Net deferred tax liabilities recognised on the consolidated statement of financial position | **365,947** | 474,375 |
| | **(311,872)** | (55,172) |

### 35 DEFERRED INCOME

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| At 1 January | **569,580** | 536,693 |
| Government grants received (note) | **113,732** | 96,820 |
| Recognised in the consolidated statement of profit or loss | **(69,213)** | (63,933) |
| At 31 December | **614,099** | 569,580 |

Note: Deferred income mainly represents the government grants received from relevant PRC authorities for property, plant and equipment improvement, such as energy-efficiency improvement. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective assets. There are no unfulfilled conditions and contingencies relating to the grants.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 36 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| The Company | Note | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 | Fair value reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | | 5,299,303 | 16,579,355 | 217,270 | 2,649,654 | 742,618 | 43,638,752 | 69,126,952 |
| **Changes in equity for 2016:** | | | | | | | | |
| Total comprehensive income | | – | – | – | – | (202,967) | 7,069,794 | 6,866,827 |
| Dividends approved in respect of the previous year | 36(b) | – | – | – | – | – | (2,278,700) | (2,278,700) |
| **Balance at 31 December 2016** | | 5,299,303 | 16,579,355 | 217,270 | 2,649,654 | 539,651 | 48,429,846 | 73,715,079 |
| **Balance at 1 January 2017** | | 5,299,303 | 16,579,355 | 217,270 | 2,649,654 | 539,651 | 48,429,846 | 73,715,079 |
| **Changes in equity for 2017:** | | | | | | | | |
| Total comprehensive income | | – | – | – | – | (227,501) | 10,614,867 | 10,387,366 |
| Dividends approved in respect of the previous year | 36(b) | – | – | – | – | – | (2,649,651) | (2,649,651) |
| **Balance at 31 December 2017** | | 5,299,303 | 16,579,355 | 217,270 | 2,649,654 | 312,150 | 56,395,062 | 81,452,794 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

#### (b) Dividends

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Final dividend proposed after the statement of financial position date of RMB1.2 (2016: RMB0.5) per ordinary share | **6,359,163** | 2,649,651 |

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.5 (2016: RMB0.43) per ordinary share | **2,649,651** | 2,278,700 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

#### (c) Share capital

*(i) Registered and issued share capital*

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | No. of shares ('000) | Amount RMB'000 | No. of shares ('000) | Amount RMB'000 |
| **Registered:** | | | | |
| H shares of RMB1 each | **1,299,600** | **1,299,600** | 1,299,600 | 1,299,600 |
| A shares of RMB1 each | **3,999,703** | **3,999,703** | 3,999,703 | 3,999,703 |
| | **5,299,303** | **5,299,303** | 5,299,303 | 5,299,303 |
| **Issued and fully paid:** | | | | |
| H shares of RMB1 each | **1,299,600** | **1,299,600** | 1,299,600 | 1,299,600 |
| A shares of RMB1 each | **3,999,703** | **3,999,703** | 3,999,703 | 3,999,703 |
| | **5,299,303** | **5,299,303** | 5,299,303 | 5,299,303 |

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in October 1997 at an issue price of Hong Kong Dollars (the "HK$") 2.28 per share. The H shares were listed on the Stock Exchange of Hong Kong Limited on 21 October 1997.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on the Shanghai Stock Exchange ("SSE") on 7 February 2002.

The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of HK$8.20 per share in November 2003.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital (continued)

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

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

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

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to Anhui Conch Venture Investment Co.Limited ("CV Investment") (安徽海螺創業投資有限責任公司) as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital (continued)

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

On 25 February 2008, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 4% of the total issued shares of the Company at 31 December 2007) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 3 March 2008.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB57.38 per share, ranking pari passu with the then existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

On 25 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 shares with trading restrictions (representing approximately 28% of the total issued shares of the Company at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 shares with trading restrictions on 2 March 2009.

On 20 May 2010, the board of directors of the Company applied to the SSE for the listing of the 310,754,000 shares with trading restrictions (representing approximately 18% of the total issued shares of the Company at 31 December 2009) in the Company held by Conch Holdings, CV Investment and Ping An Trust and Investment Co., Ltd. on the SSE. The SSE approved the listing of such 310,754,000 shares with trading restrictions on 26 May 2010.

A shares and H shares rank pari passu in all respects, except that dividends on A shares are payable in RMB, while dividends on H shares are payable in HK$.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(ii) Capitalisation issue*

The 2010 Annual General Meeting held on 31 May 2011 approved the bonus issue of 5 shares for every 10 shares held by the shareholders as at 15 June 2011. As a result, the issued share capital of the Company increased from RMB3,532,868,000 to RMB5,299,303,000 after capitalisation of share premium of RMB1,766,435,000.

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

*(i) Share premium*

Share premium represents net assets acquired from Conch Holdings in excess of the par value of shares issued, and proceeds from the issuance of H shares and A shares (or fair value of A shares) issued in excess of their par value, net of underwriting commissions, professional fees and other reorganisation costs for listing purpose.

*(ii) Capital reserve*

The capital reserve comprises the following:

– the differences between the cost of acquisition of non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired;

– cash contributed by Conch Holdings; and

– share of change of capital reserve of the investees.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(iii) Statutory surplus reserve*

In accordance with the Company Law of the PRC and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with CAS to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of the Company or any of its subsidiaries, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company and each subsidiary should be maintained at a minimum of 25% of the registered capital after utilisation.

For the year ended 31 December 2017, the subsidiaries of the Company appropriated the statutory surplus reserve in accordance with the articles of association. No statutory surplus reserve was appropriated for the Company in 2017, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

*(iv) Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the statement of financial position date and is dealt with in accordance with the accounting policy set out in note 2(g).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(v) Retained earnings*

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) CAS and regulations, and (ii) IFRSs.

**(e) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2017 and 2016 was as follows:

| | Note | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|---|
| Current liability: | | | |
| Bank loans and other borrowings | 31 | **5,620,076** | 4,537,632 |
| Non-current liability: | | | |
| Bank loans and other borrowings | 32(a) | **8,358,942** | 11,443,109 |
| Total debt | | **13,979,018** | 15,980,741 |
| Add: Proposed dividends | 36(b) | **6,359,163** | 2,649,651 |
| Less: Cash at bank and on hand | 28(a) | **(4,928,932)** | (4,299,566) |
| Bank deposits with maturity within three months | 28(a) | **(5,500,000)** | (1,500,000) |
| Adjusted net debt | | **9,909,249** | 12,830,826 |
| Total equity attributable to equity shareholders of the Company | | **89,149,949** | 76,308,554 |
| Less: Proposed dividends | 36(b) | **(6,359,163)** | (2,649,651) |
| Adjusted capital | | **82,790,786** | 73,658,903 |
| Adjusted net debt-to-capital ratio | | **11.97%** | 17.42% |

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In addition, the Group normally receives deposits from customers before delivery of products. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally investing in liquid securities quoted on a recognised stock exchange, except where entering into for long-term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

**(a) Credit risk (continued)**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2017: 28% (2016: 30%) of the total trade receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance and endorsed bills with full recourse which were derecognised by the Group (see note 25). The Group does not provide any guarantees which would expose the Group to credit risk.

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

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Other than endorsed bills with full recourse which were derecognised by the Group (see note 25), the following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

### (b) Liquidity risk (continued)

| | **2017 Contractual undiscounted cash outflow** | | | | | |
|---|---|---|---|---|---|---|
| | **Within 1 year or on demand RMB'000** | **More than 1 year but less than 2 years RMB'000** | **More than 2 years but less than 5 years RMB'000** | **More than 5 years RMB'000** | **Total RMB'000** | **Carrying amount RMB'000** |
| Trade payables | **4,967,098** | **–** | **–** | **–** | **4,967,098** | **4,967,098** |
| Other payables and accruals | **8,423,956** | **–** | **–** | **–** | **8,423,956** | **8,423,956** |
| Bank loans and other borrowings | **6,200,422** | **2,634,775** | **1,348,765** | **5,722,948** | **15,906,910** | **13,979,018** |
| Amounts due to related parties | **196,509** | **–** | **–** | **–** | **196,509** | **196,509** |
| | **19,787,985** | **2,634,775** | **1,348,765** | **5,722,948** | **29,494,473** | **27,566,581** |

| | 2016 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount RMB'000 |
| Trade payables | 4,362,893 | – | – | – | 4,362,893 | 4,362,893 |
| Other payables and accruals | 7,293,525 | – | – | – | 7,293,525 | 7,293,525 |
| Bank loans and other borrowings | 5,213,406 | 4,861,390 | 3,020,704 | 4,957,410 | 18,052,910 | 15,980,741 |
| Amounts due to related parties | 235,716 | – | – | – | 235,716 | 235,716 |
| | 17,105,540 | 4,861,390 | 3,020,704 | 4,957,410 | 29,945,044 | 27,872,875 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

### (c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period.

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Interest rate %** | **RMB'000** | Interest rate % | RMB'000 |
| **Net fixed rate borrowings:** | | | | |
| Bank loans | **1.97%~8.80%** | **2,937,758** | 1.97%~8.80% | 1,955,354 |
| Other borrowings | **5.10%~5.20%** | **5,997,766** | 4.89%~5.20% | 8,495,504 |
| Less: Loans and receivables | **4.35%~6.00%** | **(57,960)** | 4.35%~4.75% | (65,810) |
| Prepayments and other receivables | **4.35%~4.75%** | **(2,067,000)** | 4.35%~6.00% | (110,460) |
| Restricted cash deposits | **0.30%~3.85%** | **(251,483)** | 0.30%~4.25% | (221,793) |
| Bank deposits with maturity over three months | **4.50%~4.92%** | **(14,000,000)** | 2.75%~3.05% | (9,500,000) |
| Cash and cash equivalents | **4.40%~4.55%** | **(5,500,000)** | 2.35% | (1,500,000) |
| | | **(12,940,919)** | | (947,205) |
| **Variable rate borrowings:** | | | | |
| Bank loans | **2.16%~4.41%** | **5,043,494** | 1.39%~4.75% | 5,522,610 |
| Other borrowings | **–** | **–** | 1.80% | 7,273 |
| Less: Restricted cash deposits | **0.30%~3.30%** | **(79,364)** | 0.30%~2.83% | (64,624) |
| Cash and cash equivalents | **0.02%~6.00%** | **(4,928,630)** | 0.05%~4.00% | (4,299,193) |
| | | **35,500** | | 1,166,066 |
| Total net borrowings | | **(12,905,419)** | | 218,861 |

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

### (c) Interest rate risk (continued)

#### (ii) *Sensitivity analysis*

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increase the Group's profit after tax and retained profits by approximately RMB1,093,000 (2016: decreased/increase RMB9,345,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period. The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016.

### (d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, bank loans and other borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are United States dollar, Euro, Hong Kong Dollar and RMB. The Group manages this risk as follows:

#### (i) *Recognised assets and liabilities*

In respect of receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

### (d) Currency risk (continued)

#### *(ii) Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date (United States Dollar referred to as "USD", Euro referred to as "EUR", Hong Kong Dollar referred to as "HKD"):

| | Exposure to foreign currencies (expressed in RMB'000) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | 2016 | | | |
| | USD | EUR | HKD | RMB | USD | EUR | HKD | RMB |
| The functional currency is RMB: | | | | | | | | |
| Trade receivables | 10,712 | - | 25,926 | - | 70,164 | - | - | - |
| Trade payables | (506) | (2,405) | | - | - | - | - | - |
| Cash and cash equivalents | 524,875 | - | 2,618 | - | 109,026 | 2,366 | - | - |
| The functional currency is Indonesia Rupiah: | | | | | | | | |
| Cash and cash equivalents | 61,357 | - | - | 40,126 | 52,835 | - | - | 3,401 |
| Bank loans and other borrowings | (1,486,529) | - | - | (1,838,125) | (1,155,011) | - | - | (1,330,875) |
| Trade payables | - | - | - | (700) | - | - | - | - |
| The functional currency is Lao Kip: | | | | | | | | |
| Cash and cash equivalents | 10,247 | - | - | - | 1,484 | - | - | - |
| Trade receivables | - | - | - | 3,000 | - | - | - | - |
| The functional currency is Russian Ruble: | | | | | | | | |
| Cash and cash equivalents | 1,699 | - | - | - | - | - | - | - |
| The functional currency is Myanmar Kyat: | | | | | | | | |
| Cash and cash equivalents | 2,293 | - | - | - | - | - | - | - |
| Gross exposure arising from recognised assets and liabilities | (875,852) | (2,405) | 28,544 | (1,795,699) | (921,502) | 2,366 | - | (1,327,474) |
| Notional amounts of swap contract | 411,654 | - | - | - | - | - | - | - |
| Net exposure arising from recognised assets and liabilities | (464,198) | (2,405) | 28,544 | (1,795,699) | (921,502) | 2,366 | - | (1,327,474) |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

**(d) Currency risk (continued)**

*(iii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **(Decrease)/ increase in profit after tax and retained profits RMB'000** | Increase/ (decrease) in foreign exchange rates | (Decrease)/ increase in profit after tax and retained profits RMB'000 |
| USD | **1%** | **(3,481)** | 1% | (6,911) |
| EUR | **1%** | **(18)** | 1% | 18 |
| HKD | **1%** | **214** | – | – |
| RMB | **1%** | **(13,468)** | 1% | (9,956) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2016.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

#### (e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see Note 22).

The Group mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

It is estimated that an increase/decrease of 1% (2016: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's retained profits and fair value reserve as follows:

| | | **2017** | | | 2016 | |
|---|---|---|---|---|---|---|
| | | **Effect on profit after tax and retained profits RMB'000** | **Effect on fair value reserve RMB'000** | | Effect on profit after tax and retained profits RMB'000 | Effect on fair value reserve RMB'000 |
| **Change in quoted share price** | | | | | | |
| Increase | **1%** | **–** | **3,461** | 1% | – | 22,014 |
| Decrease | **(1%)** | **–** | **(3,461)** | (1%) | – | (22,014) |

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short-term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2016.

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

### (f) Fair value measurement

*(i) Financial instruments carried at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

| | | Fair value measurements as at 31 December 2017 using | | |
|---|---|---|---|---|
| | Fair value at 31 December 2017 | Quoted prices in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Recurring fair value measurement** | | | | |
| Financial assets: | | | | |
| Derivative financial instruments | 2,307 | – | 2,307 | – |
| Available-for-sale equity securities: | | | | |
| – Listed | 461,409 | 461,409 | – | – |
| | 463,716 | 461,409 | 2,307 | – |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(i) Financial instruments carried at fair value (continued)*

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

Valuation techniques and inputs used in Level 2 fair value measurements

Derivative financial instruments in Level 2 are cross-currency swap contracts. The fair value of cross-currency swap contracts are determined using option model and observable inputs.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(ii) Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016 except as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 | Fair value RMB'000 |
| Current bank loans and other borrowings | **5,620,076** | **5,565,046** | 4,537,632 | 4,571,630 |
| Non-current bank loans and other borrowings | **8,358,942** | **8,392,657** | 11,443,109 | 11,538,982 |
| | **13,979,018** | **13,957,703** | 15,980,741 | 16,110,612 |

**(g) Estimation of fair values**

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

*(i) Securities*

Fair value is based on quoted market prices at the statement of financial position date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE as at 31 December 2017.

*(ii) Derivatives*

The fair value of cross-currency swap contracts are determined using option model and observable inputs.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

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

*(iii) Interest-bearing loans and borrowings*

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

*(iv) Financial guarantees*

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

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

The entity uses the market rate of bank loans as of 31 December 2017 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

| | **2017** | 2016 |
|---|---|---|
| Bank loans and other borrowings | **1.72% ~ 8.80%** | 1.39% ~ 8.80% |
| Loans and receivables | **4.35%** | 4.35% |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 38 COMMITMENTS

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Contracted for | **972,831** | 2,057,963 |
| Authorised but not contracted for | **1,829,774** | 3,062,212 |
| | **2,802,605** | 5,120,175 |

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Within 1 year (inclusive) | **3,045** | 5,361 |
| After 1 year but within 5 years (inclusive) | **10,318** | 9,490 |
| After 5 years | **7,748** | 7,998 |
| Total | **21,111** | 22,849 |

(c) As disclosed in note 40(b)(ix) note(i), the Company is committed to pay trademark license fees to Conch Holdings at RMB1,513,000 (2016: RMB1,513,000) per annum. The license agreement does not indicate an expiry date of the agreement.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 39 CONTINGENT LIABILITIES

At 31 December 2017, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB8,234,435,000 (2016: RMB6,408,715,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB716,876,000 (2016: RMB730,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2017, outstanding letters of credit issued by the Group amounted to RMB48,523,000 (2016: RMB63,557,000).

At 31 December 2017, the Group has issued guarantees to banking facilities of its related parties, Papua Cement and Sino-Myanmar International, amounting to RMB1,038,413,000 in aggregate (2016: RMB1,176,796,000). These facilities were utilised to the extent of RMB1,038,413,000 (2016: RMB1,096,203,000) as at 31 December 2017.

## 40 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Related parties information

In addition to the associates and joint ventures of the Group as disclosed in notes 19 and 20 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

| Name of related party | Nature of relationship |
|---|---|
| Conch Holdings<br>安徽海螺集團有限責任公司 | Substantial shareholder of the Company |
| China Conch Venture Holdings Limited (“China Conch Venture”)<br>中國海螺創業控股有限公司 | Major shareholder of Conch Holdings |
| Conch Profiles and Science Co., Ltd. and its subsidiaries (“Conch Profiles and Science and its subsidiaries”)<br>蕪湖海螺型材科技股份有限公司及其附屬公司 | Subsidiary of Conch Holdings |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related parties information (continued)

| Name of related party | Nature of relationship |
|---|---|
| Wuhu Conch International Hotel (“WH Conch Hotel”) 蕪湖海螺國際大酒店 | Subsidiary of Conch Holdings |
| Conch Design Institute 安徽海螺建材設計研究院 | Subsidiary of Conch Holdings |
| Conch IT Engineering 安徽海螺信息技術工程有限責任公司 | Subsidiary of Conch Holdings |
| Conch Venture Wuhu 蕪湖海創實業有限責任公司 | Subsidiary of China Conch Venture |
| CK Engineering and its subsidiaries 安徽海螺川崎工程有限公司及其附屬公司 | Subsidiary of China Conch Venture |
| CK Equipment 安徽海螺川崎節能設備製造有限公司 | Subsidiary of China Conch Venture |
| HC Port 揚州海昌港務實業有限責任公司 | Subsidiary of China Conch Venture |
| Anhui Conch Venture New Energy-saving Building Material Co., Ltd. (“Conch Venture Green”) 安徽海創新型節能建築材料有限責任公司 | Subsidiary of China Conch Venture |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Related parties information (continued)

| Name of related party | Nature of relationship |
|---|---|
| Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") 亳州海創新型節能建築材料有限責任公司 | Subsidiary of China Conch Venture |
| WH Investment and its subsidiaries 蕪湖海螺投資有限公司及其附屬公司 | Subsidiary of China Conch Venture |
| Chengli Building Material 建德市成利建材有限公司 | In trust of a subsidiary of the Company |
| Guizhou Xinshuanglong Cement Co., Ltd. ("Xinshuanglong Cement") 貴州新雙龍水泥有限公司 | In trust of a subsidiary of the Company |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

*(i) Sales of goods*

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Chengli Building Material | **93,114** | 75,334 |
| Xiangshan Cement and its subsidiaries | **71,376** | – |
| Papua Cement | **70,808** | 31,044 |
| Conch Kawasaki Equipment | **28,136** | 16,956 |
| CK Equipment | **6,248** | 5,818 |
| Xinshuanglong Cement | **5,671** | – |
| Conch Venture Green | **3,710** | 2,108 |
| Conch Design Institute | **3,536** | 1,840 |
| Conch Profiles and Science and its subsidiaries | **1,694** | 2,056 |
| Conch IT Engineering | **1,251** | 959 |
| Bozhou Conch Venture Green | **893** | 1,971 |
| King Bridge Cement | **–** | 4,272 |
| Other related parties | **1,712** | 2,540 |
| | **288,149** | 144,898 |

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Papua Cement | **11,830** | 218,456 |
| Conch Design Institute | **–** | 346 |
| | **11,830** | 218,802 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions between the Group and related companies (continued)

*(iii) Purchase of goods*

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Papua Cement | **183,726** | – |
| Conch Kawasaki Equipment | **172,268** | 133,348 |
| CK Equipment | **125,253** | 38,997 |
| Xiangshan Cement and its subsidiaries | **15,386** | – |
| Conch Profiles and Science and its subsidiaries | **6,120** | 3,498 |
| King Bridge Cement | **–** | 705 |
| Other related parties | **4** | 18 |
| | **502,757** | 176,566 |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Conch Kawasaki Equipment | **220,182** | 333,183 |
| CK Engineering and its subsidiaries | **162,467** | 261,076 |
| CK Equipment | **26,119** | 59,149 |
| Conch Venture Wuhu | **–** | 27,002 |
| King Bridge Cement | **242** | – |
| | **409,010** | 680,410 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

**(b) Transactions between the Group and related companies (continued)**

*(v) Provision of services*

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Myanmar Conch | **24,360** | 27,300 |
| WH Investment and its subsidiaries | **23,649** | 15,276 |
| Papua Cement | **22,820** | 19,432 |
| Conch Kawasaki Equipment | **4,587** | 3,658 |
| Xinshuanglong Cement | **699** | – |
| Conch Design Institute | **608** | 883 |
| Conch Profiles and Science and its subsidiaries | **3** | 986 |
| Conch Venture Wuhu | **–** | 3,550 |
| Sino-Myanmar International | **–** | 2,120 |
| Other related parties | **–** | 7 |
| | **76,726** | 73,212 |

*(vi) Receiving services*

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| HC Port | **92,744** | 43,537 |
| Conch IT Engineering | **53,006** | 43,772 |
| Conch Design Institute | **41,896** | 22,299 |
| Conch Venture Wuhu | **17,950** | – |
| Conch Profiles and Science and its subsidiaries | **936** | 936 |
| CK Engineering and its subsidiaries | **–** | 4,049 |
| Other related parties | **1,409** | – |
| | **207,941** | 114,593 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions between the Group and related companies (continued)

*(vii) Lending of funds*

**– Principal Lent**

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Chengli Building Material | **27,960** | – |
| | **27,960** | – |

**– Principal Repaid**

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Chengli Building Material | **27,960** | – |
| | **27,960** | – |

**– Interest Income**

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Chengli Building Material | **1,701** | 1,706 |
| | **1,701** | 1,706 |

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions between the Group and related companies (continued)

*(viii) Transactions with Conch Holdings*

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Trademark licence fees (note (i)) | **1,513** | 1,513 |
| Composite service fees (note (ii)) | **2,191** | 2,196 |
| Loan guarantees obtained (note (iii)) | **6,000,000** | 8,500,000 |
| Provision of services and sales of goods | **3,681** | 2,333 |
| Receiving services (note (vi)) | **1,107** | – |
| | **6,008,492** | 8,506,042 |

Notes:

(i) The Group has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Group exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Group agreed to pay RMB1,513,000 to Conch Holdings annually.

(ii) Conch Holdings charged the Group a total amount of RMB2,191,000 (2016: RMB2,196,000) for various services rendered and facilities provided during the year ended 31 December 2017.

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

(vi) Conch Holdings rented an office building to a subsidiary of the Group amounting to RMB1,107,000 (2016: None).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 40 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

**(b) Transactions between the Group and related companies (continued)**

*(ix) Loan guarantees provided*

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Papua Cement | **752,413** | 798,796 |
| Sino-Myanmar International | **246,000** | 378,000 |
| Xiangshan Cement and its subsidiaries | **40,000** | – |
| | **1,038,413** | 1,176,796 |

**(c) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Short-term employee benefits | **13,558** | 9,751 |
| Post-employment benefits | **418** | 363 |
| | **13,976** | 10,114 |

Total remuneration is included in "staff costs" (see note 7(b)).

**(d) Applicability of the Listing Rules relating to connected transactions**

The related party transactions in respect of Conch Design Institute, Conch Profiles and Science and its subsidiaries, Conch Holdings, Conch IT Engineering and WH Conch Hotel above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 2017 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2016 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| – Investment property | | | **21,961** | | 25,454 |
| – Other property, plant and equipment | | | **963,458** | | 916,781 |
| – Lease prepayments | | | **203,473** | | 210,583 |
| Intangible assets | | | **47,921** | | 57,026 |
| Investments in subsidiaries | 18 | | **39,482,246** | | 36,913,609 |
| Interest in associates | | | **49,671** | | 773,046 |
| Interest in joint ventures | | | **1,156,012** | | 1,275,191 |
| Loans and receivables | | | **3,102,000** | | 4,195,000 |
| Available-for-sale equity securities | 22 | | **461,409** | | 2,935,177 |
| | | | **45,488,151** | | 47,301,867 |
| **Current assets** | | | | | |
| Inventories | | **206,400** | | 238,584 | |
| Trade receivables | | **357,211** | | 225,262 | |
| Prepayments and other receivables | | **6,168,808** | | 5,417,369 | |
| Amounts due from subsidiaries | | **21,347,503** | | 22,055,917 | |
| Amounts due from related parties | | **127,130** | | 133,557 | |
| Tax recoverable | | **–** | | 15,951 | |
| Restricted cash deposits | | **115,319** | | 99,976 | |
| Bank deposits with maturity over three months | | **14,000,000** | | 9,500,000 | |
| Cash and cash equivalents | | **7,527,298** | | 3,210,345 | |
| | | **49,849,669** | | 40,896,961 | |
| **Current liabilities** | | | | | |
| Trade payables | | **204,570** | | 197,313 | |
| Other payables and accruals | | **863,361** | | 661,116 | |
| Bank loans and other borrowings | | **2,500,305** | | 2,650,645 | |
| Amounts due to subsidiaries | | **6,337,885** | | 4,636,175 | |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

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

| | | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amounts due to related parties | | **39,441** | | 47,179 | |
| Income tax payable | | **224,043** | | – | |
| | | **10,169,605** | | 8,192,428 | |
| **Net current assets** | | | **39,680,064** | | 32,704,533 |
| **Total assets less current liabilities** | | | **85,168,215** | | 80,006,400 |
| **Non-current liabilities** | | | | | |
| Bank loans and other borrowings | | **3,595,961** | | 6,094,359 | |
| Deferred income | | **17,832** | | 19,500 | |
| Deferred tax liabilities | | **101,628** | | 177,462 | |
| | | | **3,715,421** | | 6,291,321 |
| **NET ASSETS** | | | **81,452,794** | | 73,715,079 |
| **CAPITAL AND RESERVES** | 36(a) | | | | |
| Share capital | | | **5,299,303** | | 5,299,303 |
| Reserves | | | **76,153,491** | | 68,415,776 |
| **TOTAL EQUITY** | | | **81,452,794** | | 73,715,079 |

# Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 42 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in note 36(b).

## 43 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2017, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

| | **Effective for accounting periods beginning on or after** |
|---|---|
| IFRS 9, *Financial instruments* | 1 January 2018 |
| IFRS 15, *Revenue from contracts with customers* | 1 January 2018 |
| Amendments to IAS 40, *Investment property: Transfers of investment property* | 1 January 2018 |
| IFRIC 22, *Foreign currency transactions and advance consideration* | 1 January 2018 |
| Annual Improvements to IFRSs 2015-2017 Cycle | 1 January 2019 |
| IFRS 16, *Leases* | 1 January 2019 |
| IFRIC 23, *Uncertainty over income tax treatments* | 1 January 2019 |
| Amendments to IFRS 9, *Prepayment features with negative compensation* | 1 January 2019 |
| Amendments to IAS 28, *Long-term interest in associates and joint ventures* | 1 January 2019 |
| Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture* | 1 January 2019 |

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

**IFRS 9, *Financial instruments***

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement.* IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

Expected impacts of the new requirements on the Group's financial statements are as follows:

*(a) Classification and measurement*

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

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

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

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

*(a) Classification and measurement (continued)*

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities for which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group plans to elect this designation option for its investments in equity securities held on 1 January 2018. Consequently, these investments will continue to be measured at fair value at each reporting date, with movements in fair value recognised in other comprehensive income and dividend income recognised in profit or loss. However, the adoption of the FVTOCI option will give rise to a change in accounting policy for these investments in respect of the treatment of impairment losses and gains or losses on disposal as under the new policy the fair value gains and losses recognised in other comprehensive income will not be reclassified to profit or loss, even when these investments are impaired or disposed of. This change in policy will have no impact on the Group's net assets and total comprehensive income but will decrease volatility in profit or loss.

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

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

*(b) Impairment*

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group's financial statements.

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

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

## Notes to the financial statements (continued)

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

*(a) Timing of revenue recognition*

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

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

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

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

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

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

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of goods.

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

**IFRS 16, *Leases***

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

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

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 38(b), at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB21,111,000 (2016: RMB22,849,000) for properties, the majority of which is payable more than 1 year after the reporting date. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 before this effective date.

# 13. Documents for Inspection

(1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the website of the Stock Exchange.

Anhui Conch Cement Company Limited
22 March 2018



# 14. Written Confirmation of the Directors and Members of the Senior Management on the Annual Report of 2017

Pursuant to the requirements and provisions of Securities Law and No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers" (as revised in 2017), as the Directors and members of the senior management of Anhui Conch Cement Company Limited, upon full understanding and review of the annual report of 2017 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2017 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audited financial statements of Anhui Conch Cement Company Limited for year 2017 as audited by KPMG Huazhen LLP and KPMG are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2017 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

| Name | Position | Name | Position |
|---|---|---|---|
| Gao Dengbang | Chairman and executive Director | Yang Mianzhi | Independent non-executive Director |
| Tai Kwok Leung | Independent non-executive Director | Leung Tat Kwong Simon | Independent non-executive Director |
| Wang Jianchao | Deputy Chairman and executive Director | Wu Bin | Executive Director and general manager |
| Ding Feng | Executive Director | Zhou Bo | Executive Director, chief accountant and Secretary to the Board |
| Li Qunfeng | Deputy general manager | Li Xiaobo | Deputy general manager |
| Ke Qiubi | Deputy general manager | Li Leyi | Chief engineer of technical art |
| Xia Xiaoping | Deputy chief accountant | Yu Shui | Assistant to general manager |
| Wu Tiejun | Assistant to general manager | | |

22 March 2018