Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

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 seventh 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. Wu Bin, officer-in-charge of the accounting function 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 seventh meeting of the seventh session of the Board of the Company, the annual profit distribution proposal for 2018 is a cash dividend of RMB1.69 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 2019 concerning its capital expenditure, new production capacity and net sales objectives 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 provided in violation of the established decision-making procedures.

9. Material risk alert: Chapter 5 of this report discloses the risks that the Company may be exposed to in 2019, including risks related to the policies, fluctuation of price of energy resources and environmental protection regulations. 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
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 the SSE (stock code: 600318)
WCC	:	West China Cement Limited, a company listed on the Stock Exchange (stock code: 02233)
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Profiles and Science	:	Wuhu Conch Profiles and Science Co., Ltd.
Conch Investment Company	:	Anhui Conch Investment Co., Ltd.
Conch Design Institute	:	Anhui Conch Construction Materials Design Institute Co., Ltd.
Conch Information Engineering Company	:	Anhui Conch Information Technology Engineering Co., Ltd.
Conch New Material Company	:	Anhui Conch New Material Technology Co., Ltd.

1. Definitions

SPIC Anhui Conch Power Selling	:	Anhui Conch Power Selling Co., Ltd. under SPIC Group
SPIC Anhui Conch Clean Energy	:	Anhui Conch Clean Energy Co., Ltd. under SPIC
CV Investment	:	Anhui Conch Venture Investment Co., Ltd.
Haiyi Shipping	:	Shanghai Haiyi Shipping Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
Conch Venture	:	China Conch Venture Holdings Limited, a company listed on the Stock Exchange (stock code: 586)
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Company Limited
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Xiangshan Cement	:	Huaibei Mining Xiangshan Cement Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.
Yueqing Conch	:	Yueqing Conch Cement Co., Ltd.
Lianyuan Cement	:	Lianyuan Conch Cement Co., Ltd.
Jianghua Conch	:	Jianghua Conch Cement Co., Ltd.
Yangchun Conch	:	Yangchun Conch Cement Co., Ltd.
Fenyi Conch	:	Fenyi Conch Cement Co., Ltd.

1. Definitions

Xingye Conch	Xingye Kuiyang Conch Cement Co., Ltd.
Liukuangruian	Guizhou Liukuangruian Cement Co., Ltd.
Jiangsu Conch Building Materials	Jiangsu Conch Building Materials Co., Ltd.
Guangying Cement	Guangdong Qingyuan Guangying Cement Co., Ltd.
Qarshi Conch	Qarshi Conch Cement Foreign Enterprise Co., Ltd.
Vientiane Conch	Vientiane Conch Cement Co., Ltd.
Luangprabang Conch	Luangprabang Conch Cement Co., Ltd
Myanmar Conch	Myanmar Conch Cement Co., Ltd
Mandalay Conch	Myanmar Conch Cement (Mandalay) Co., Ltd.
Battambang Conch	Battambang Conch Cement Co., Ltd
SDIC Papua Cement	PT SDIC Papua Cement Indonesia
Indonesia Conch	PT Conch Cement Indonesia
North Sulawesi Conch	PT Conch North Sulawesi Cement
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

1. Definitions

Audit Committee	:	Audit committee of the Board
Reporting Period	:	The period from 1 January 2018 to 31 December 2018
PRC Accounting Standards	:	China Accounting Standards for Business Enterprises
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
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 under Appendix 10 to the HKSE Listing Rules
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

1. Definitions

RMB	:	Renminbi, the lawful currency of the PRC
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission (中國證券監督管理委員會)
Articles	:	Articles of Association of the Company

2. Corporate Profile and Major Financial Indicators

(1)	Official Chinese name of the Company	:	安徽海螺水泥股份有限公司
	Abbreviation in Chinese	:	海螺水泥
	Official English name of the Company	:	ANHUI CONCH CEMENT COMPANY LIMITED
	Abbreviation in English	:	ACC
(2)	Legal Representative of the Company	:	Gao Dengbang
(3)	Secretary to the Board (Company Secretary)	:	Yu Shui
	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	:	dms@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 the Company's 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 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, the PRC
	Legal adviser as to Hong Kong law	:	Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
(8)	International auditors	:	KPMG 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Authorised signatory of the Accountant	:	Frankie C.Y. Lai
	PRC auditors	:	KPMG Huazhen LLP 8th Floor, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing, the PRC
	Authorised signatory of the Accountant	:	Xu Min, Jin Yang
(9)	H Shares share registrar and transfer office	:	Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, 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	2018	2017	2016	2015	2014
Net revenue	**128,402,626**	75,310,820	55,931,901	50,976,036	60,758,501
Net profit attributable to equity shareholders of the Company	**29,858,303**	15,898,689	8,573,868	7,538,700	10,980,917
Total assets	**149,547,352**	122,142,585	109,514,121	105,781,392	102,253,097
Total liabilities	**33,358,169**	30,453,291	29,536,289	32,236,883	33,026,013

(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	2018	2017	Year-on-year change (%) between 2018 and 2017	2016
Revenue	**128,402,626**	75,310,820	70.50	55,931,901
Profit before taxation	**39,629,196**	21,228,756	86.68	11,653,206
Net profit attributable to equity shareholders of the Company	**29,814,285**	15,854,670	88.05	8,529,917
Net profit after extraordinary items attributable to equity shareholders of the Company	**29,818,520**	14,077,866	111.81	7,680,938
Basic earnings per share (RMB/share)	**5.63**	2.99	88.05	1.61
Diluted earnings per share (RMB/share)	**5.63**	2.99	88.05	1.61
Basic earnings per share after extraordinary items (RMB/share)	**5.63**	2.66	111.81	1.45
Diluted return on net assets (%)	**26.46**	17.73	Increased by 8.73 percentage points	11.13

2. Corporate Profile and Major Financial Indicators

Items	2018	2017	Year-on-year change (%) between 2018 and 2017	2016
Weighted average return on net assets (%)	**29.66**	19.12	Increased by 10.54 percentage points	11.59
Diluted return on net assets after extraordinary items (%)	**26.46**	15.75	Increased by 10.71 percentage points	10.03
Weighted average return on net assets after extraordinary items (%)	**29.66**	16.97	Increased by 12.69 percentage points	10.44
Net cash flow generated from operating activities	**36,058,967**	17,363,027	107.68	13,196,752
Net cash flow per share generated from operating activities (RMB/share)	**6.80**	3.28	107.68	2.49

Table 2:

(Unit: RMB'000)

Items	As at 31 December 2018	As at 31 December 2017	Year-on-year change (%) between 2018 and 2017	As at 31 December 2016
Total assets	**149,547,352**	122,142,585	22.44	109,514,121
Equity attributable to equity shareholders of the Company	**112,688,916**	89,406,295	26.04	76,608,921
Net assets per share attributable to equity shareholders of the Company (RMB/share)	**21.26**	16.87	26.04	14.46

2. Corporate Profile and Major Financial Indicators

2. Major financial data for 2018 by quarters

(Unit: RMB'000)

Items	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	18,766,522	26,975,725	32,049,805	50,610,574
Net profit attributable to equity shareholders of the Company	4,778,070	8,164,019	7,774,037	9,098,159
Net profit after extraordinary items attributable to equity shareholders of the Company	4,673,768	8,071,134	7,536,532	9,537,086
Net cash flow generated from operating activities	3,054,025	8,892,461	8,691,756	15,420,725

3. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	**2018**	2017	2016
(1) Gains or losses on disposal of non-current assets	**-54,185**	344,344	100,696
(2) Government subsidy (exclusive of those that are closely related to the operation of the Company and received in a certain amount or fixed quantity according to the State standards)	**545,409**	426,103	564,948
(3) Gains or losses 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	**22,833**	1,559,100	498,453
(4) Entrusted fee income obtained from entrusted operation	**10,624**	699	–
(5) Charges on share of funds received from non-financial enterprises included in the current income statement	**1,710**	2,647	2,412
(6) Gains or losses from external entrusted loans	**1,701**	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	**198,104**	44,910	–
(9) Other non-operating income and expenses other than the above items	**-740,024**	3,720	-28,378
(10) Effect of extraordinary items on income tax	**7,958**	-589,958	-278,028
(11) Effect of extraordinary items on minority interests	**1,635**	-16,953	-11,124
Total	**-4,235**	1,776,804	848,979

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	25,140	22,833	22,833
Other investments in equity instruments	461,409	258,680	-202,729	–
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 2018 (Audited)	1 January to 31 December 2017 (Audited)	**31 December 2018 (Audited)**	31 December 2017 (Audited)
As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards	**29,814,285**	15,854,670	**112,688,916**	89,406,295
– Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs	**44,018**	44,019	**-212,330**	-256,348
As reported in accordance with IFRSs	**29,858,303**	15,898,689	**112,476,586**	89,149,947

Hun Sen, Prime Minister of Cambodia, attended the production commencement ceremony of Battambang Conch

Projects of North Sulawesi Conch commenced operation

Contract-signing ceremony of Basu Conch in Tibet

Successful acquisition of Guangdong Guangying Cement

Demonstration project for collection and purification of CO_2 from the smoke emitted by cement kilns of Baima Plant completed and put into operation

3. Business Overview of the Company

(1) OVERVIEW OF THE CEMENT INDUSTRY

In 2018, the cement industry remained stable in general with obvious divergence in regional market performance. On the supply side, continuous normalization of off-peak season production in the industry reduced product supply in a phased manner. Besides, more efforts were made to strengthen ecological environmental protection and gradually tighten comprehensive management of mines, coupled with the "Looking Back" (回頭看) campaign launched by the central government environmental protection inspector and the action on prevention and control of air pollution, accelerating the phasing out of backward production capacity from the market and pushing ahead the transformation and upgrading of the cement industry. In terms of demand, the infrastructure investments and property investments increased by 3.8% and 9.5% year-on-year, respectively, and such stable growth in fixed asset investments provided strong support for demand of cement. In 2018, on a comparable statistical basis adjusted by the government, the PRC's cement production volume over designated size was approximately 2.177 billion tonnes, representing a year-on-year increase of 3%. Benefitting from the positive effect arising from supply-side structural reform of the cement industry, the supply-and-demand ratio of the cement industry throughout the year was constantly improved and the product price recorded significant increase as compared with that of last year, significantly enhancing the profitability of the industry. (data 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. According to market demands, the Group's main cement products included 42.5-grade cement, 32.5R-grade cement and 52.5-grade cement, which are widely used in construction projects of large-scale national infrastructures 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 mode of transportation and local cement price, resulting in a sales model different from that of the consumer goods. 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 a relatively extensive marketing network. Meanwhile, the Group continued to improve its "T-type" development strategy by proactively constructing or leasing transfer storages and other landing passageway in the middle and lower reaches of Yangtze River and along the coast, gradually pushing forward the integration of the regional markets in major cities and establishing a trading platform, so as to accelerate the development of end-user markets.

3. Business Overview of the Company

During the Reporting Period, while proactively promoting domestic mergers and acquisitions and reorganization and the development of oversea projects, the Group explored into the upstream and downstream industrial chain, with an aim to optimise its domestic and oversea market planning.

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

At the end of the Reporting Period, benefitting from year-on-year increase in sales prices of the Company's products, the operating revenue and the cash flow generated from operating activities showed year-on-year increase, and the current asset of the Group increased by 56.80% as compared to that at the beginning of the year. Save as disclosed above, there was no material change in the fixed assets, intangible assets and other major assets of the Group.

The Company's offshore assets amounted to RMB9,489 million, accounting for 6.35% of the total assets.

(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 core cement business by promoting independent innovation and technology advancement, proactively promoting energy conservation and emission reduction and developing recycling economy. After over 20-year constant, healthy and steady development, and by refining internal management, strengthening market construction and promoting technological innovation, the Company has created the unique "Conch model", establishing relatively strong advantage in resources, technology, human resources, funding, market share and brand recognition.

During the Reporting Period, the Group made continuous efforts in enhancing regional market operation, strengthening cost control, increasing investment in safety and environmental protection, and speeding up the construction of factories equipped with information system and intelligent system, so as to further consolidate and improve its aforesaid competitive advantages, and maintain the core competitiveness of the Group.

4. Report of the Directors

(1) INVESTMENTS DURING THE REPORTING PERIOD

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

(1) In February 2018, the Company and Singapore Victori International Pte. Ltd. jointly invested in and established Wuhu South East Asia International Trading Co., Ltd., with a registered capital of US$40 million. The Company and Victori International Pte. Ltd. contributed US$22 million and US$18 million respectively, representing 55% and 45% of the registered capital of Wuhu South East Asia International Trading Co., Ltd. respectively.

(2) In April 2018, the Company, Baxoi County Rongsu Poverty Alleviation Investment Co., Ltd. ("Baxoi Investment Company") and Qamdo City Kaiyuan Investment Co., Ltd. ("Qamdo Investment Company") jointly invested in and established Baxoi Conch Cement Co., Ltd., with a registered capital of RMB227.5 million. The Company, Baxoi Investment Company and Qamdo Investment Company contributed RMB159.25 million, RMB34.125 million and RMB34.125 million respectively, representing 70%, 15% and 15% of the registered capital of Baxoi Conch Cement Co., Ltd. respectively.

(3) In May 2018, the Company and Quanjiao County Urban Infrastructure Development and Construction Co., Ltd. ("Quanjiao Urban Construction Company") jointly invested in and established Chuzhou Conch New Building Materials Co., Ltd., with a registered capital of RMB11 million. The Company and Quanjiao Urban Construction Company contributed RMB7.7 million and RMB3.3 million respectively, representing 70% and 30% of the registered capital of Chuzhou Conch New Building Materials Co., Ltd. respectively.

(4) In May 2018, Conch International Holdings (HK) Limited ("Conch (HK)"), a wholly-owned subsidiary of the Company invested in and established Qarshi Conch in Uzbekistan, with an initial registered capital of US$0.2 million, which is held as to 100% by Conch (HK).

(5) In August 2018, the Company entered into an equity transfer agreement with Zheng Congdao and Zhang Zhijian (being shareholders of Guangdong Guangying Cement) regarding the acquisition of 80% of the equity interests in Guangying Cement. Upon acquisition, Zheng Congdao and Zhang Zhijian each held 10% of the equity interests. Guangying Cement Company has a registered capital of RMB345 million, and its annual production capacity of clinker, cement and aggregate was 2.7 million tonnes, 4 million tonnes and 1.3 million tonnes, respectively.

(6) During August and September 2018, the Company invested in and established 11 trading companies in Anhui, Jiangsu, Zhejiang, Shandong, Hunan, Jiangxi, Henan, Shaanxi, Yunnan, Guizhou, Guangxi, etc., each with a registered capital of RMB10 million. The Company holds 100% of the equity interests, details of which are as below:

Name of companies	Date of establishment	Registered capital	Shareholdings of the Company
Bozhou Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Nanjing Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Zhejiang Ningbo Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Shandong Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Hunan Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Jiangxi Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Zhengzhou Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Shaanxi Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Yunnan Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Guizhou Haizhong Trading Co., Ltd.	August 2018	RMB10 million	100%
Guangxi Chongzuo Haizhong Trading Co., Ltd.	September 2018	RMB10 million	100%

(7) In September 2018, the Company and Conch Profiles and Science jointly invested in and established Jiangsu Conch Building Materials with a registered capital of RMB50 million. The Company and Conch Profiles and Science contributed RMB25.50 million and RMB24.50 million respectively, representing 51% and 49% of the registered capital of Jiangsu Conch Building Materials, respectively.

(8) During the Reporting Period, the Company made capital injection into the following subsidiaries in the amount as follows:

Name of companies	Capital increase by the Company	Enlarged registered capital	The Company's shareholding upon the capital increase
Conch Cement Volga Co., Ltd	RUB61.3298 million	RUB132.4777 million	75%
Shanghai Conch Construction Material International Trading Company Limited	RMB90.00 million	RMB100.00 million	100%
Vientiane Conch	US$1.50 million	US$3.00 million	75%
Qarshi Conch	US$3.80 million	US$4.00 million	100%

2. Shareholding in other listed companies and trading of shares of other listed companies

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

Stock code	Short name	Initial investment costs (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	45,209,210	7.51	7.51	258,679,568	-
2233	Westchinacement	1,449,828,915	21.16	21.11	1,731,030,529	232,936,984
Total		1,495,038,125	-	-	1,989,710,097	232,936,984

Note: The shares held by the Group in Xinli Finance were recognized as "other investments in equity instruments", while the shares in WCC were recognized as "long-term equity investments".

During the Reporting Period, there was no change in the number of the shares of WCC held by the Group, while the total number of shares of WCC increased due to the implementation of "share option scheme" by WCC, resulting in the shareholding of the Group decreased from 21.16% to 21.11%.

3. Major investments during the Reporting Period

During the Reporting Period, the Company did not have 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 paragraph headed "(1) Overview of operation development" under the section headed "ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2018" in Chapter 5 "Management Discussion and Analysis on the Operations of the Group" in this report as well as item 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 157 majority-owned subsidiaries, 2 associated entities and 6 jointly-controlled 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 single 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."

4. Report of the Directors

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

During the Reporting Period, the Company executed the profit distribution proposal for the year 2017 which was approved at the 2017 annual general meeting of the Company. Based on the total number of issued shares of 5,299,302,579 shares at the end of 2017, a cash final dividend of RMB1.2 (tax inclusive) was paid to all the shareholders of the Company for every one share held, totaling RMB6,359,160,000 (tax inclusive). In June 2018, the above dividend was paid to all the shareholders whose names were recorded in the register of members on the relevant record date. The announcement regarding the implementation of the aforesaid dividend distribution was published on the SSE website, Shanghai Securities Journal and Securities Times on 12 June 2018, as well as the HKEXnews website of the Stock Exchange and the Company's website on 11 June 2018 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)	Total dividend for the year (RMB'000)	Cash dividend for the year to net profit attributable to equity shareholders of the Company
2016	/	0.5	2,649,651	31.06%
2017	/	1.2	6,359,163	40.11%
2018	/	1.69	8,955,821	30.04%

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 2018 amounted to RMB29,814.28 million and RMB29,858.30 million respectively. The Board of the Company proposed the appropriation of the profit for the period ended 31 December 2018 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 2018.

(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 2018, the payment of a final dividend of RMB1.69 per share (tax inclusive) is proposed, totaling RMB8,955.82 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2018.

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 2018.

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 organizations, 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, among which, 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 shall not withhold income tax on dividends derived by mainland enterprise investors, and such enterprises shall report and make tax payment by themselves.

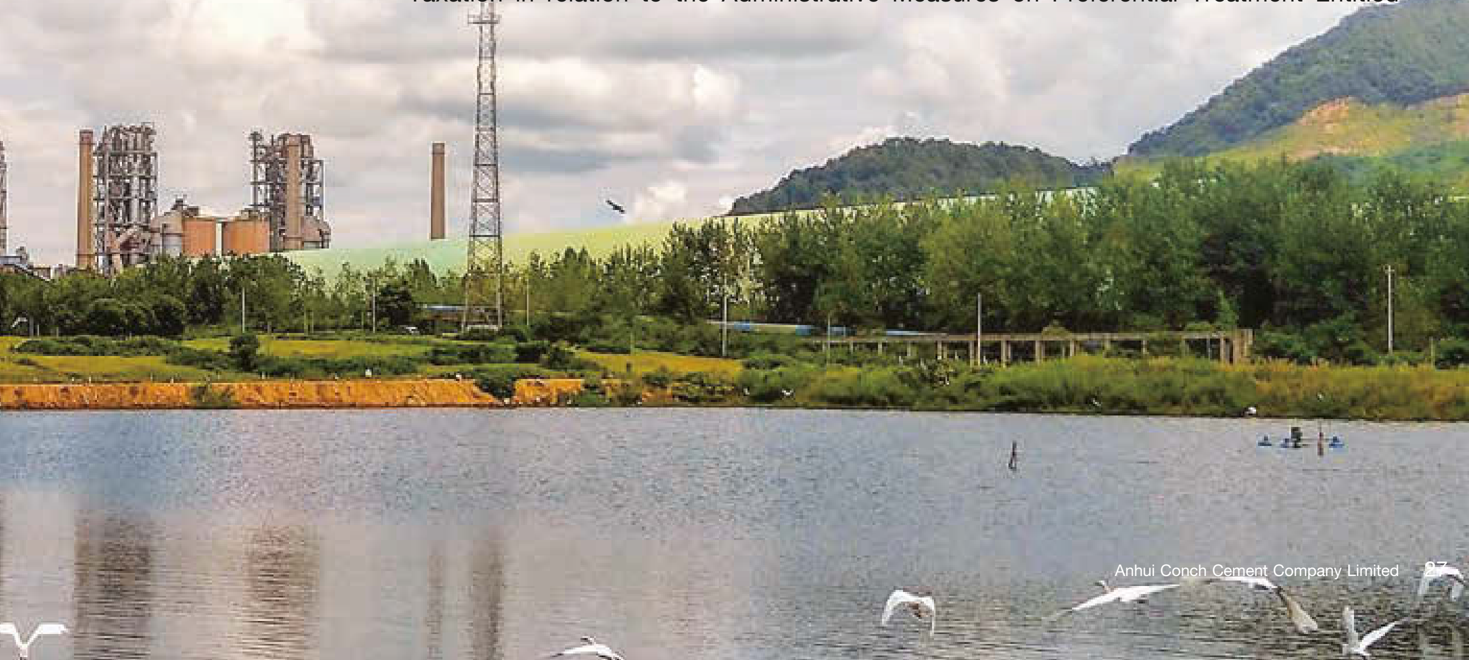
According to the Shanghai-Hong Kong Stock Connect Taxation Policy, the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by mainland individual investors for investing in H shares through Shanghai-Hong Kong Stock Connect. For mainland securities investment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

Pursuant to the Notice on Issues relating to Collecting Individual Income Tax after Repealing the Document of Guoshuifa [1993] No. 045 (《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, overseas resident individual holders 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 10 June 2019 (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 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 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 apply for the underlying preferential tax benefits pursuant to the tax treaties on such shareholders' behalf, 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)（《國家税務總局關於印發〈非居民納税人享受税收協議待遇管理辦法〉的通知》（國税發[2015]60號））on or before 16 June 2019. Upon examination and approval by the competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

(3) For individual holders of H Shares whose country of domicile 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 35 to the financial statements prepared in accordance with the IFRSs, and in note 4 "Taxation" and notes 17, 24, 36 and 48 under note 5 of "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 2018, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB4.207 billion, representing 3.28% of the total sales amount of the Group; and the largest customer accounted for 1.76% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB35.899 billion, representing 44.19% of the total purchases amount of the Group; and the largest supplier accounted for 16.09% 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 close associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding more than 5% of the number of 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 2018.

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 2018 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 2018, the Group's total assets as determined in accordance with the IFRSs amounted to approximately RMB149.547 billion, representing an increase of approximately RMB27.405 billion over that of the end of last year.

(7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2018 were set out in the consolidated statement of changes in equity and note 37 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 2018 were set out in notes 32, 33 and 34 to the financial statements prepared in accordance with the IFRSs. The Group's deposits as at 31 December 2018 were placed with reputable commercial banks. The Group has no entrusted

4. Report of the Directors

deposits and fixed-term deposits which cannot be withdrawn upon expiry. During the Reporting Period, interest capitalized in respect of construction-in-progress amounted to RMB39.27 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 raw 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 that the risk level is overall under control, the Group made appropriate financing and foreign exchange payment arrangements based on the construction progress of oversea projects by adjusting its foreign exchange fund management plan on a timely basis. The Group proactively implemented centralized management, allocation and utilization over foreign funds in 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 financial expenses. The Group implemented a regional fund pool management model in the same country which the Group invested in, so as to complement each other's capital advantage, enhance capital economies of scale, reduce loss from currency exchange and reduce financing costs. Meanwhile, the Group made appropriate allocation of foreign assets in active response to the adverse impact from the temporary fluctuation of Renminbi by increasing 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, and leverage swap instruments to hedge foreign exchange risks based on currency performance. Furthermore, the Group made appropriate foreign exchange fund payment arrangements based on its import and export plan, with an aim to improve the efficiency of using foreign exchange funds, lower costs of exchange settlement and sales and reduce financial expenses.

(10) BUSINESS REVIEW, OUTLOOK AND MAJOR RISK FACTORS

For details on the business review, outlook for 2019 and the major risk factors of the Group, please refer to the 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 2018, 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 2018

(1) Overview of operation development

In 2018, in the face of complex and ever-changing domestic and international economic conditions, the Group strove to overcome a number of adverse factors such as rising prices for raw materials and fuel. By strengthening research and analysis on the market supply and demand and adhering to the marketing strategy of “one policy for one region, one policy for one plant and implementation of differential policies”, the Group reasonably grasped the pace of production and sales and capitalized on the market demands, achieving stable increase in sales volume of cement and clinker and significant growth in product price. Moreover, the Group made bulk procurement of raw materials and fuel, optimized resource allocation and 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 amounted to RMB128,403 million, representing an increase of 70.50% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB29,814 million, representing an increase of 88.05% from that for the corresponding period of the previous year; and earnings per share was RMB5.63, representing an increase of RMB2.64 per share from that for the corresponding period of the previous year. In accordance with the IFRSs, the revenue amounted to RMB128,403 million, representing an increase of 70.50% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB29,858 million, representing an increase of 87.80% from that for the corresponding period of the previous year; and earnings per share was RMB5.63.

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

During the Reporting Period, the Group continued to carry out the construction and acquisition of projects in the PRC. Construction for four cement grinding units for Yueqing Conch and Jiande Conch, etc. had been completed and put into operation. Construction for the aggregates projects of Jiande Conch, Jianghua Conch, Yangchun Conch, Fenyi Conch and Xingye Conch, etc. had been completed and put into operation. By acquiring Guangying Cement, the Group increased the production capacity of clinker, cement and aggregates by 2.7 million tonnes, 4 million tonnes and 1.30 million tonnes, respectively.

Meanwhile, the Group proactively pushed forward the construction of overseas projects. Two clinker production lines and four cement grinding units of Battambang Conch of Cambodia and North Sulawesi Conch of Indonesia had completed construction and been put into operation. The construction project of Luangprabang Conch in Laos has proceeded to the equipment installation phase, and construction for the projects of Mandalay Conch in Myanmar had begun. The preliminary preparation works for the projects of Vientiane Conch in Laos and Qarshi Conch in Uzbekistan had made orderly progress.

As at the end of the Reporting Period, the production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 252 million tonnes, 353 million tonnes, 38.70 million tonnes and 0.6 million cubic meters respectively.

(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 (sale of own products)	98,631,060	51,837,461	47.44	36.62	12.68	Increased by 11.17 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point

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 (%)
Building material industry (sale of own products) – 42.5-grade cement Note 1	65,733,982	35,178,060	46.48	49.14	24.16	Increased by 10.76 percentage points
Building material industry (sale of own products) – 32.5R-grade cement	25,374,427	12,723,372	49.86	23.16	-0.57	Increased by 11.97 percentage points
Building material industry (sale of own products) – Clinker	6,628,608	3,620,628	45.38	-2.70	-21.70	Increased by 13.26 percentage points
Building material industry (sale of own products) – Aggregate and carpolite	810,788	250,385	69.12	15.99	-0.57	Increased by 5.14 percentage points
Building material industry (sale of own products) – Commercial concrete	83,255	65,016	21.91	6,351	6,028	Increased by 4.11 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point

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 (%)
Building material industry (sale of own products) – East China Note 2	28,929,788	14,713,870	49.14	43.27	17.64	Increased by 11.08 percentage points
Building material industry (sale of own products) – Central China Note 3	31,834,966	16,212,950	49.07	35.37	7.89	Increased by 12.97 percentage points
Building material industry (sale of own products) – South China Note 4	13,990,259	7,378,730	47.26	35.08	19.82	Increased by 6.72 percentage points
Building material industry (sale of own products) – West China Note 5	21,343,200	11,707,829	45.14	35.39	10.92	Increased by 12.1 percentage points
Building material industry (sale of own products) – Export	1,183,016	862,867	27.06	-23.63	-28.44	Increased by 4.9 percentage points
Building material industry (sale of own products) – Overseas	1,349,831	961,215	28.79	66.58	74.27	Decreased by 3.14 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point

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.

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

Sales by industry

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 368 million tonnes, representing a year-on-year growth of 24.77%. Benefitting from an increase in both composite selling price and sales volume of products, the revenue generated from principal activities reached RMB123.841 billion, representing a year-on-year growth of 68.28%. The operating cost from principal activities increased by 62.46% on a year-on-year basis to RMB77.004 billion. The consolidated gross profit margin of products recorded a year-on-year increase of 2.23 percentage points to 37.82%.

The Group realized a sales volume of self-produced products of cement and clinker of 298 million tonnes, representing a year-on-year growth of 2.69%. The sales revenue from self-produced products amounted to RMB98.631 billion, representing a year-on-year growth of 36.62%. The operating cost of self-produced products increased by 12.68% on a year-on-year basis to RMB51.837 billion. The consolidated gross profit margin of self-produced products recorded a year-on-year increase of 11.17 percentage points to 47.44%.

In order to strengthen the construction of end-user sales markets, the Group created trading platforms in some regional markets. During the Reporting Period, the cement and clinker trading business recorded a sales volume of 70 million tonnes, representing a year-on-year increase of 12 times. The revenue from the trading business amounted to RMB25.210 billion, representing a year-on-year growth of 17 times. The operating cost of the trading business increased by 17 times on a year-on-year basis to RMB25.167 billion.

Sales by type of products

During the Reporting Period, the Group witnessed that the gross profit margins of the 42.5-grade cement and the 32.5R-grade cement increased by 2.64 percentage points and 3.87 percentage points year-on-year respectively, while the gross profit margin of the clinker decreased by 3.53 percentage points year-on-year, among which, the gross profit margins of Group's self-produced products of the 42.5-grade cement, the 32.5R-grade cement and the clinker increased by 10.76 percentage points, 11.97 percentage points and 13.26 percentage points year-on-year respectively. The consolidated gross profit margin of aggregate and carpolite increased by 5.14 percentage points year-on-year to 69.12%, which was mainly attributable to the significant increase in product selling price as a result of further improvement in the supply-and-demand condition of the aggregate market due to the efforts by the national and local governments to strengthen the management of mineral resources and environmental protection governance.

Sales by region

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

In East China and Central China, due to the stable demand of the market, and the further improvement of the supply-demand condition, the Company achieved growth in sales volume and significant increase in prices, recording a year-on-year increase in sales amount of 43.27% and 35.37% respectively and a year-on-year increase in gross profit margins of 11.08 and 12.97 percentage points respectively.

In South China, market demand was on the rise with growth in sales volume and increase in prices, resulting in a year-on-year increase in sales amount of 35.08% and a year-on-year increase in gross profit margin of 6.72 percentage points.

In West China, the Company seized the favorable opportunity arising from recovering 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 35.39% and a year-on-year increase in gross profit margin of 12.1 percentage points.

Affected by the periodic shortage in clinker resources in the domestic market, the Group recorded a year-on-year decrease in export sales volume and sales amount of 33.53% and 23.63% 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 57.66% and the sales amount increased by 66.58% 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
	2018 (RMB'000)	2017 (RMB'000)	(%)
Revenue from principal activities	**123,840,654**	73,592,382	68.28
Profit from operations	**39,882,356**	20,825,298	91.51
Profit before taxation	**39,629,196**	21,228,756	86.68
Net profit attributable to equity shareholders of the Company	**29,814,285**	15,854,670	88.05

During the Reporting Period, due to significant increase in the selling price of the Company's products as compared to that of the corresponding period of the previous year, coupled with the effect of increased trading income, the Group's revenue from principal activities increased by 68.28% year-on-year. Benefitting from the rise in product prices, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year increase of 91.51%, 86.68 % and 88.05% respectively.

3. Analysis of costs and expenses

Consolidated costs of cement and clinker in 2018 and their year-on-year changes

Item	**2018** Unit costs (RMB/tonne)	**2018** Percentage (%)	2017 Unit costs (RMB/tonne)	2017 Percentage (%)	Change in unit costs (%)	Change in costs proportion (percentage points)
Raw materials	**36.52**	**21.09**	27.22	17.24	34.17	3.85
Fuel and power	**98.97**	**57.16**	97.77	61.92	1.23	-4.76
Depreciation expense	**12.07**	**6.97**	12.39	7.85	-2.58	-0.88
Labor cost and others	**25.58**	**14.78**	20.51	12.99	24.72	1.79
Total	**173.14**	**100**	157.89	100	9.66	–

Note: All cost items mentioned above represent the consolidated costs of self-produced products of cement and clinker, excluding cost of the trading business.

During the Reporting Period, the consolidated costs of cement and clinker of the Company increased by 9.66% year-on-year, which was mainly due to optimization in product sales structure, and increase in bulk purchasing price of raw material and fuel.

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

Expenses for the period	**2018 amount (RMB'000)**	2017 (restated) amount (RMB'000)	Year-on-year change between 2018 and 2017 (%)	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	**3,733,295**	3,571,930	4.52	3.01	4.85	-1.84
Administrative expenses	**3,752,167**	3,417,304	9.80	3.03	4.64	-1.61
Research and development expenses	**70,967**	42,386	67.43	0.06	0.06	0.00
Financial expenses (income is stated in negative)	**-474,091**	215,620	-319.87	-0.38	0.29	-0.67
Total	**7,082,338**	7,247,240	-2.28	5.72	9.84	-4.12

During the Reporting Period, the Group's research and development expenses increased by 67.43% on a year-on-year basis, mainly due to a year-on-year increase in the research and development expenses used by the Group's subsidiaries for the construction of intelligent factories and new products including refractory material. The Group's financial expenses decreased by 319.87% on a year-on-year basis, mainly due to a year-on-year decrease in loan interest expenses and a year-on-year increase in deposit interest income.

During the Reporting Period, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 5.72%, decreased by 4.12 percentage points as compared to that of the corresponding period of the previous year. The decrease was mainly attributable to the increase in revenue amount generated from principal activities. Excluding the effect of trading income, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities is 7.18%, decreased by 2.86 percentage points as compared to that of the corresponding period of the previous year. The decrease was mainly attributable to the increase in revenue generated from principal activities and a substantial decrease in financial expenses as compared to that of the corresponding period of the previous year.

4. **Financial position**

Asset and liability overview

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

Item	**31 December 2018 (RMB'000)**	31 December 2017 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	**60,320,464**	59,667,633	1.09
Current and other assets	**89,226,888**	62,474,952	42.82
Total assets	**149,547,352**	122,142,585	22.44
Current liabilities	**26,151,961**	21,114,303	23.86
Non-current liabilities	**6,977,517**	9,064,175	-23.02
Total liabilities	**33,129,478**	30,178,478	9.78
Minority interests	**3,728,958**	2,557,812	45.79
Equity attributable to equity shareholders of the Company	**112,688,916**	89,406,295	26.04
Total liabilities and equity	**149,547,352**	122,142,585	22.44

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 RMB149,547 million, representing an increase of 22.44% as compared to those at the end of the previous year. Total liabilities amounted to RMB33,129 million, representing an increase of 9.78% as compared to those at the end of the previous year; in which the current liabilities amounted to RMB26,152 million, representing an increase of 23.86% as compared to those at the end of the previous year; and non-current liabilities amounted to RMB6,977 million, representing a decrease of 23.02% as compared to those at the end of the previous year, which was mainly due to the transfer of the certain long-term loans which would be due within 1 year, from the non-current liabilities to the current liabilities. As at 31 December 2018, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 22.15%, representing a decrease of 2.56 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 RMB112.689 billion, representing an increase of 26.04% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB3.729 billion, representing an increase of 45.79% 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 RMB21.26, representing an increase of RMB4.39/share as compared to that at the end of the previous year.

As at 31 December 2018, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB72.053 billion and RMB26.152 billion respectively, with a current ratio of 2.76:1 (corresponding period last year: 2.18:1). 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 RMB72.192 billion and RMB26.152 billion respectively, with net gearing ratio of 0.003 (corresponding period last year: 0.04). 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 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Due within 1 year	**4,128,170**	3,120,771
Due after 1 year but within 2 years	**779,710**	2,616,794
Due after 2 years but within 5 years	**1,266,955**	1,590,715
Due after 5 years	**559,917**	652,972
Total	**6,734,752**	7,981,252

As at the end of the Reporting Period, the Group's bank borrowings were RMB6,735 million, representing a decrease of RMB1,246 million as compared to those at the beginning of the year. The decrease was mainly attributable to the Group's repayment of bank borrowings that was due 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 corporate bonds in a principal amount of RMB3.5 billion which 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 from 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

	2018 (RMB'000)	2017 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	**36,058,967**	17,363,027	107.68
Net cash flows generated from investment activities	**-25,669,697**	-5,202,648	-393.40
Net cash flows generated from financing activities	**-10,980,002**	-7,499,608	-46.41
Effect of exchange rate movement on cash and cash equivalents	**19,472**	-31,406	162.00
Net increase/(decrease) in cash and cash equivalents	**-571,260**	4,629,365	-112.34
Balance of cash and cash equivalents at the beginning of the year	**10,428,932**	5,799,567	79.82
Balance of cash and cash equivalents at the end of the year	**9,857,672**	10,428,932	-5.48

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB36.059 billion, representing an increase of RMB18.696 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 RMB20,467 million as compared to that of last year, mainly due to the increase in the Group's fixed 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 RMB3,480 million as compared to that of last year, primarily attributable to the year-on-year increase in the amount of cash dividends of the Group.

During the Reporting Period, effect of exchange rate movement on cash and cash equivalents of the Group increased by RMB50.88 million as compared to that of the corresponding period of last year, primarily attributable to the effect of increase in foreign exchange rates on the USD-denominated deposits held by the Group at the end of the Reporting Period.

5. Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB5.638 billion, which was primarily used in construction of cement and clinker production lines for overseas companies, the technology improvement in respect of energy conservation and environmental protection for domestic production lines, the construction of aggregate projects as well as used as the expenditure in mergers and acquisitions 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 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Authorized and contracted for	**1,089,377**	972,831
Authorized but not contracted for	**1,426,958**	1,829,774
Total	**2,516,335**	2,802,605

OUTLOOK FOR 2019

2019 marks the 70th anniversary of the founding of the PRC, and is a crucial year for building a moderately prosperous society in all respects. It is expected that the PRC government will adhere to the main theme of "making steady progress while maintaining stability", continue to embrace new development concepts and promote high quality development. Continuing to pursue supply-side structural reform as the main task, the government will further deepen market-oriented reform, expand high-level opening-up, and will continue to implement more proactive fiscal policy and prudent monetary policy, so as to keep the economy running within a reasonable range. A year-on-year GDP growth rate of 6%-6.5% is anticipated. (Source: Government Work Report of 2019).

In 2019, it is expected that China will continue to boost regional coordinated development by formulating new policies and measures for the development and opening-up of Western China, implementing and improving the reform and innovation measures for facilitating the overall revitalization of Northeastern China, rise of Central China and leading development of Eastern China. The government will also promote the nation's important strategies such as the implementation of coordinated development of Beijing-Tianjin-Hebei and development of the Yangtze River Economic Belt and Guangdong-Hong Kong-Macau Greater Bay Area, step up efforts in strengthening areas of weakness such as infrastructure, improve the density and network development of infrastructure, make solid progress in the rural revitalization strategy, facilitate infrastructure development in rural areas and construction of public utility facilities, reform and improve the housing market system and security system and promote the stable and healthy development of the real estate market, which is expected to sustain support for the rigid demand for cement. In addition, the government continues to promote high quality development, further the implementation of supply-side structural reform, continue the implementation of off-peak season production and continuously enhance efforts for protection of ecological environment. Besides, the launching of the second round of central government eco-environmental protection inspection and the "Defending the Blue Sky, Clean Water and Rich Soil" campaign, coupled with the initiation of pollution prevention and control in key regions, will be beneficial for keeping a balanced supply-and-demand condition in the cement industry.

Sticking to the high quality development requirement and seizing the opportunities arising from the initiative of "The Belt and Road", the Group will push forward its internationalization development strategies in an orderly manner, and strive to improve the operation quality of the overseas operating projects. Efforts will be made to push ahead the construction of the projects of Mandalay Conch in Myanmar and Luangprabang Conch in Laos, and to accelerate the preliminary preparation works for projects of Vientiane Conch in Laos and Qarshi Conch in Uzbekistan. The Group will step up efforts for surveys and feasibility study for potential overseas projects, with an aim to secure project sources. On the domestic front, seizing the favorable opportunities arising from the supply-side structural reform of the industry and enhanced efforts in environmental protection by the government, and based on the principle of fine-tuning its domestic market planning and strengthening competitiveness, the Group will proactively seek for appropriate merger and acquisition targets and explore new cooperation models. Furthermore, the Group will speed up the nurturing of new growth drivers by intensifying the development of the aggregate business, proactively pushing ahead its commercial concrete projects in a stable pace and exploring the development of prefabricated construction.

In 2019, the Group's capital expenditure is expected to be approximately RMB10 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 energy conservation and environmental protection and as expenditures of acquisition and merger projects. It is expected that the cement production capacity of the Group will increase by approximately 4 million tonnes (exclusive of production capacity acquired) and the aggregate (including the machine-made sand) production capacity will increase by 17 million tonnes for the full year.

In respect of operational management, the Group will closely monitor the domestic and overseas macro-economic environment, deepen its study and assessment on the supply-and-demand condition in the market, continue to implement differentiated marketing strategies, enhance construction and management of the end-user market, strengthen coordination of integrated regional marketing efforts and give full play to the trading platforms. Moreover, the Group will make bulk purchase planning for raw materials in advance, deepen strategic cooperation with large-scale coal enterprises and expand long-term resource channels, so as to promote traceability and control of our major raw material. In an effort to strictly comply with the Government's decision and guideline for ecological civilization construction, the Group will step up efforts in carrying out environmentally-friendly technology improvement and upgrading, and strengthen the research and application of advanced environmental protection technology. The Group will promote technology innovation and strive to improve management efficiency through integrated application of intelligent system and information system, and accelerate the construction of factories equipped with intelligent system, so as to enhance the core competitiveness of the Company. Furthermore, the Group will also step up efforts in introduction and cultivation of professional talents and continue to optimize the incentive mechanism, so as to build up talent reserve for the development of the Company.

In 2019, the Group plans a target of 300 million tonnes net sales volume (net of trading volume) of cement and clinker. It is expected that the cost of products per tonne and the expenses of products per tonne will remain generally stable.

In 2019, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is relatively highly dependent on the construction industry and is relatively closely related to the growth rate of fixed asset investments and real estate investment. Being affected by the real estate control policy implemented by the government, the real estate industry may face certain downward pressure, which may have impact on the cement market demand.

   To address the above-mentioned risks, the Group will closely monitor changes in the State's macro-economic policies, continue to enhance construction of the end-user market, strengthen coordination of integrated regional marketing efforts, and seizing the increasing market demands driven by the government's policy to strengthen investment in areas of weakness in the infrastructure sector, in an effort to increase our market shares.

2. In order to fully implement the instruction from the 19th National Congress of the Communist Party, the government will strengthen ecological environmental protection, launch the second round of central government eco-environmental protection inspection and the "Defending the Blue Sky, Clean Water and Rich Soil" campaign and carry out pollution prevention and control in key regions, resulting in more stringent environmental protection regulation and enforcement system and higher environmental protection management requirements against the enterprises. While it will help to promote high quality development, it is predicted to lead to increasing production and operation costs for the companies.

   To address the above-mentioned risks, the Group will adhere to the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), continue to increase investment in environmentally-friendly technology improvement, implement the improvement of wet desulphurization and SCR denitration, push ahead the modification of the electric dust collector on clinker production lines, reduce pollutant discharge, accelerate the technology improvement of noise abatement and closure of dumping ground corridors, and will be proactively engaged in research and development of advanced environmental protection technologies, so as to improve the overall environmental protection management of the Group. Though it will lead to increasing production and operating costs for the companies to certain extent, such efforts will help to facilitate industry transformation and upgrade and elimination of backward production capacity, and will further consolidate the Group's leading advantage in environmental protection.

3. The cost of coal and electricity accounts for around 57% of the consolidated cost of cement and clinker. Any substantial surge in coal and electricity price due to factors such as policy adjustment or changes in market supply-and-demand condition will result in increasing production costs for the Group. 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 affected to certain extent.

   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 studying intensively the supply-side structural reform of the coal industry, closely monitoring trends and changes in the supply-and-demand condition in market, strengthening strategic cooperation with large-scale coal corporations, expanding long-term resource channels, increasing proportion of procurement and implementing cross-regional planning and allocation of coal resources. Meanwhile, continuous efforts will be made to push ahead innovation capability, strengthen technology improvement on energy conservation and consumption reduction, and further enhance the refined operation of production lines, so as to ensure continuous optimization of the indicators of coal and electricity consumption and reduce the costs of coal and electricity.

6. Significant Events

(1) COMMITMENTS

In 2007, the Company issued A Shares to CV Investment as consideration for the purchase of the relevant assets of CV Investment. CV Investment 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), CV Investment 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, CV Investment 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 revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Asset", "Accounting Standards for Business Enterprises No. 24 – Hedging Accounting", "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" and "Accounting Standards for Business Enterprises No. 14 – Revenues" issued by the Ministry of Finance in 2017, the Company is required to adopt the aforesaid accounting standards for business enterprises in the financial reports for the year 2018 and subsequent periods. In addition, in accordance with the "Notice on the Revision of the General Format of Financial Statements of Business Enterprises for 2018" (《關於修訂印發2018年度一般企業財務報表格式的通知》) (Caikuai [2018] No.15) issued by the Ministry of Finance in 2018, a company that has applied the new financial standards or the new income standards is required to prepare its financial statements according to the new format requirements of financial statements.

The above changes in the accounting policies and adjustments to the presentation of financial statements are reasonable adjustments made in accordance with the requirement of the Ministry of Finance of the PRC, which have no material impact on the financial position and operating results etc. of the Company.

(4) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the 2017 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 2018, respectively, and engaged KPMG Huazhen LLP as the internal control auditor of the Company for the year of 2018. The financial audit services fees and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2018 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 13 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》) promulgated by the CSRC and the Ministry of Finance of the PRC, KPMG has regularly 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) STATUS OF INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, there was no unenforced effective judgment of 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 TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected 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 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 validity period of the Trademark Licensing Agreement in respect of the trademarks would be extended automatically. On 22 March 2018, the Company and Conch Holdings entered into a supplemental agreement to the Trademark Licensing Agreement, pursuant to which it was agreed that the annual fees paid by the Company to Conch Holdings in respect of the use of the trademarks consist of fixed license fee and variable license fee, of which the fixed license fee is RMB15 million per annum, and the variable license fee is a license fee for the use of the permitted trademarks by the companies (not being wholly-owned subsidiaries of the Company) in which the Company holds not less than 20% shares, equity interest or registered capital, at an amount to be determined according to the sales volume of cement and clinker. For details, please refer to the announcement published by the Company on the websites of the Stock Exchange and the Company on 22 March 2018, and the announcement published by the Company on the website of the SSE on 23 March 2018.

During the Reporting Period, the fees payable by the Company to Conch Holdings in respect of the use of the trademarks for the year amounted to RMB29.5914 million, and the Company has paid the fixed fee of RMB15 million. 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 transportation

On 30 June 2017, Shanghai Conch Logistics Co., Ltd. ("Shanghai Logistics", a wholly-owned subsidiary of the Company) and Haiyi Shipping entered into a transportation contract, 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 was specified in the contract as at the time of signing of such contract, Shanghai Logistics estimated that the transaction amount would not exceed RMB230 million, which would be determined and settled according to the volume of cargos actually transported by Haiyi Shipping for the Group. The Group secured the maritime transportation services from Haiyi Shipping by way of public tender conducted by Shanghai Logistics.

As at the end of the Reporting Period, the above transportation contract was completed with an actual transaction amount of RMB220.33 million.

As Haiyi Shipping is a subsidiary of CV Investment, and CV Investment was initially a shareholder holding more than 5% shares of the Company, but it reduced its shareholdings to below 5% on 21 September 2017, Haiyi Shipping remained as a connected party of the Company under the SSE Listing Rules until 21 September 2018. 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 requirements for a connected transaction. In accordance with the HKSE Listing Rules, the above transaction did not constitute a connected transaction as defined under the HKSE Listing Rules.

(3) Transaction with Jiangsu Conch Building Materials – sale of cement

On 28 September 2018, the Company and its connected subsidiary Jiangsu Conch Building Materials entered into a sale and purchase of cement contract, pursuant to which certain subsidiaries of the Company located in East China would sell cement to Jiangsu Conch Building Materials in a quantity not exceeding 3.5 million tonnes, with the total contract price not exceeding RMB1.6 billion, for a term starting from the signing date of the contract to 31 December 2018.

The price under the sale and purchase of cement contract signed by the Company and Jiangsu Conch Building Materials was determined with reference to the factory / freight on board prices and the prevailing market price of relevant cement products and was negotiated and agreed between the parties on arm's length basis after taking full account of factors such as the seasonal effect of cement prices, historical product prices and market conditions.

As at the end of the Reporting Period, the sale and purchase of cement contract was completed with an actual transaction amount of RMB646.884 million.

Jiangsu Conch Building Materials is a non-wholly-owned subsidiary of the Company, which is owned as to 51% by the Company and 49% by Conch Profiles and Science. Conch Profiles and Science is a controlling subsidiary of Conch Holdings, the controlling shareholder of the Company. Accordingly, Conch Profiles and Science is an associate of Conch Holdings and hence a connected person of the Company. According to Chapter 14 of the HKSE Listing Rules, Jiangsu Conch Building Materials is a connected subsidiary of the Company and thereby a connected person of the Company, and the transactions under the sale and purchase of cement contract constitute continuing connected transactions of the Company. For details, please refer to the announcement published by the Company on the website of the Stock Exchange and the website of the Company on 28 September 2018 and 24 October 2018 respectively. According to the SSE Listing Rules, Jiangsu Conch Building Materials is not a connected party of the Company.

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

On 28 February 2018, as approved by the Board of the Company, the Company and Conch Design Institute entered into a 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, commercial concrete and residual heat electricity generation projects, with a contract sum of RMB78.38 million.

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 [2002] Ji Jia Ge No. 10 ([2002]計價格10號文) and the Engineering Survey and Design Charging Administration Regulations (《工程勘察設計收費標準》) 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 RMB20.5930 million. If taking into account the amount incurred in connection with the performance of other contracts entered into in previous years, the accumulated transaction amounts with Conch Design Institute by the Group during the Reporting Period amounted to RMB37.9615 million.

Conch Design Institute is a wholly-owned subsidiary of Conch Holdings, the controlling shareholder of the Company, according to the HKSE Listing Rules, Conch Design Institute is a connected person of the Company and the aforesaid transaction constituted a connected transaction as defined under the HKSE Listing Rules. For details about the transaction, please refer to the Company's announcement dated 28 February 2018 and published on the website of the Stock Exchange and the website of the Company respectively. In accordance with the SSE Listing Rules, Conch Design Institute is also a connected person of the Company, and the aforesaid transaction also constituted a connected transaction as defined under the SSE Listing Rules, but no ad-hoc announcement was required to be made as the contract amount was less than 0.5% of the latest audited net asset of the Group.

3. **Equipment supply and software design services**

On 12 November 2018, as approved by the Board of the Company, the Company and Conch Information Engineering Company entered into an equipment supply and software design contract, pursuant to which Conch Information Engineering Company shall supply equipment and provide software design services for some of the Company's subsidiaries' smart factory projects, with a contract sum of RMB87.30 million.

The equipment supply and the software design services provided under the equipment supply and software design contract were developed and customized by Conch Information Engineering Company according to the actual needs for the constructions of the smart factory of certain subsidiaries of the Company. The contract price was determined mainly with reference to similar services and products provided by Conch Information Engineering Company for other customers and on a cost plus reasonable profit margin pricing basis, and was negotiated and agreed between the parties on an arm's length basis. The reasonable profit margin is 10% of the cost of the project's hardware and software. The profit margin was determined mainly with reference to the system integration fee, value-added service fee and main contracting fee, in which the system integration fee and value-added service fee made reference to the relevant standard rates promulgated by the Central Government Procurement Center and the main contracting fee made reference to the relevant standard rates under the "Construction Project Quantity List Pricing Specification" (GB50500-2013) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC in 2013.

For the performance of the equipment supply and software design contract (and only such contract), the Group made prepayments of RMB3.4494 million under the contract during the Reporting Period. In addition, pursuant to other contracts entered into in previous years, the accumulated transaction amounts with Conch Information Engineering Company by the Group during the Reporting Period amounted to RMB130.2491 million.

Conch Information Engineering Company is a wholly-owned subsidiary of Conch Holdings, the controlling shareholder of the Company, according to the HKSE Listing Rules, Conch Information Engineering Company is a connected person of the Company and the aforesaid transaction constituted a connected transaction as defined under the HKSE Listing Rules. For details about the transaction, please refer to the Company's announcement dated 12 November 2018 and published on the website of the Stock Exchange and the website of the Company respectively. In accordance with the SSE Listing Rules, Conch Information Engineering Company is also a connected party of the Company, and the aforesaid transaction also constituted a connected transaction as defined in the SSE Listing Rules, but no ad-hoc announcement was required to be made as the contract amount was less than 0.5% of the latest audited net asset of the Group.

6. Significant Events

Confirmation by independent non-executive Directors on connected transactions

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

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

(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 RMB1,780.59 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	North Sulawesi Conch	100%	686,320 (US$100 million)	one year	2018.02.08	Citibank, Indonesia Branch
2	Battambang Conch	60%	102,950 (US$15 million)	one year	2018.06.19	Sumitomo Mitsui Banking Corporation, Bangkok Branch, Thailand
3	Conch (HK)	100%	68,630 (US$10 million)	one year	2018.06.19	J.P.Morgan Chase Bank N.A., Hong Kong Branch
4	Indonesia Conch	75%	377,480 (US$55 million)	one year	2018.10.17	Citibank, Indonesia Branch
5	Lianyuan Cement	80%	200,000	two years	2018.11.29	HSBC Bank, Hefei Branch
6	Liukuangruian	51%	100,000	one year	2018.12.12	HSBC Bank, Hefei Branch
7	SDIC Papua Cement	49%	168,150 (US$24.50 million)	one year	2018.07.10	HSBC Bank, Indonesia Branch
8	Myanmar Conch	45%	37,060 (US$5.4 million)	one year	2018.08.01	Industrial and Commercial Bank, Yangon Branch
9	Xiangshan Cement	40%	40,000	one year	2018.12.25	Industrial Bank, Wuhu Branch
Total			1,780,590			

6. Significant Events

Notes:

(1) The Company provided 100% guarantee for the loans granted to the 4 majority-owned subsidiaries including Battambang Conch, Indonesia Conch, Lianyuan Cement and Liukuangruian. Other minority shareholders provided equity pledge or counter-guarantee of their respective interests;

(2) The Company provided guarantee for loans granted to SDIC Papua Cement, Myanmar Conch and Xiangshan Cement on a pro rata basis of its shareholding proportion;

(3) The RMB-translated 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 of 2018.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB1,535.38 million, and the guarantees provided by the Company for the joint ventures amounted to RMB245.21million. Except for the guarantees for the bank loans as set out in the table above, the Company provided guarantees for the trade finance facilities granted to Shanghai Conch Construction Material International Trading Co., Ltd. was RMB782.26 million.

As at the end of the Reporting Period, the balance of external guarantees provided by the Company (including those provided for its subsidiaries) in aggregate amounted to RMB8,569.17 million, including RMB-denominated guarantee of RMB3,735.48 million and USD-denominated guarantee of US$704.29 million, representing 7.60% of the net assets of the Group as at the end of the Reporting Period, which did not exceed the limit of 50%. Among which, the balance of the guarantees provided to its subsidiaries in aggregate amounted to RMB7,573.18 million and the balance of external guarantees (being guarantees provided for its joint ventures) was RMB995.99 million.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries with a gearing ratio of over 70% amounted to RMB1,440.59 million.

As at the end of the Reporting Period, save for the guarantees for three joint ventures, namely, Myanmar Conch, SDIC Papua Cement and Xiangshan Cement, the Company did not provide any other 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 and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

(12) FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

1. Financial entrustment

In light of the Company's daily fund arrangements and unutilized fund situation and in order to ensure full use of the unutilized fund, the Company conducted five financial entrustments during the Reporting Period after taking into consideration of capital safety and return rate, the details of which are as follows:

Trustee	Inception date	Expiry date	Product name	Amount (RMB in billion)	Expected annualized return rate	Statue of Recovery	Actual income (RMB in million)
Bank of Communication, Wuhu Branch	27 March 2018	27 June 2018	"Win to Fortune, Daily Interest Increment" RMB denominated wealth management products	2	5.16%	Recovered	26.0121
Bank of Communication, Wuhu Branch	13 April 2018	10 September 2018	"Win to Fortune, Daily Interest Increment" RMB denominated wealth management products	2	4.15%	Recovered	34.1096
Agricultural Bank of China, Wuhu Jinqiao Sub-branch	15 August 2018	20 February 2019	"Hui Li Feng" corporate RMB denominated structured deposit products	2.5	4.80%	Recovered	62.7842
Bank of Communication, Wuhu Branch	6 September 2018	15 March 2019	"Win to Fortune" fixed-term structured deposit products	2.5	4.60%	Recovered	59.8630
Agricultural Bank of China, Wuhu Jinqiao Sub-branch	17 October 2018	15 April 2019	"Hui Li Feng" corporate RMB denominated structured deposit products	5	4.00%	Not yet expired	/

During the Reporting Period, the Company had no overdue unrecoverable financial entrustment.

2. **Loan entrustment**

During the Reporting Period, the Group had no new loan entrustment business. In 2017, Jiande Conch, a subsidiary of the Company, provided entrusted loan in the amount of RMB27.96 million to Jiande Chengli Building Material Co., Ltd. (being an entrusted management enterprise of the Company, hereinafter referred to as "Chengli Building Material") through Shouchang Sub-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

Targeted poverty alleviation is one of the three critical battles to be achieved in an effort to build a moderately prosperous society in all respects as determined at the 19th National Congress of the Communist Party, and is an important strategic task in achieving our nation's first centenary goal, waging an unprecedented battle to eliminate poverty. By integrating the Group's strategic development plan with the national development strategy for poverty alleviation, and upholding the important guideline of refined management, accurate allocation and targeted support, the Group strengthened mechanism development and enhanced party building to explore a long-term industrial poverty alleviation mechanism by adapting to local conditions and adopting top-down coordination, so as to push ahead the implementation of targeted poverty alleviation.

Details on the Group's efforts in caring for the underprivileged during the Reporting Period are set out in the 2018 Social Responsibility Report prepared by the Company, which will be published on the respective websites of the SSE, the Stock Exchange and the Company concurrently with this annual report.

(14) ENVIRONMENTAL INFORMATION

1. Discharge status of the major pollutants by key subsidiaries

As at the end of the Reporting Period, 84 subsidiaries and branch companies of the Group were included in the List of Key Pollutant Discharging Units by the environmental protection departments. Details of the major pollutants discharged during the production process by such companies and the discharge status are set out in the below table:

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/m^3)	Implemented standards for discharge of pollutants (mg/m^3)	Total amount of actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
1	Ningguo Cement Plant of Anhui Conch Cement Company Limited	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	164.16	500	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	1,816.2	3,985	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	505.16	711	No
		Particulate matter	Organised	211	General discharge outlet	20	GB4915-2013	201.06		No
2	Tongling Conch	Sulfur dioxide	Organised	5	Kiln tail	200	GB4915-2013	795.58	7,095	No
		Nitrogen oxides	Organised	5	Kiln tail	400	GB4915-2013	8,550.34	14,190	No
		Particulate matter	Organised	10	Kiln head and tail	30	GB4915-2013	476.58	2,411	No
		Particulate matter	Organised	306	General discharge outlet	20	GB4915-2013	269.41		No
3	Baimashan Cement Plant	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	7.43	1,188	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	935.94	2,375	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	157.5	473	No
		Particulate matter	Organised	94	General discharge outlet	20	GB4915-2013	11.73		No
4	Anhui Digang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	4	Kiln tail	200	GB4915-2013	792.9	3,075	No
		Nitrogen oxides	Organised	4	Kiln tail	400	GB4915-2013	4271	6,150	No
		Particulate matter	Organised	8	Kiln head and tail	30	GB4915-2013	414.26	1,154	No
		Particulate matter	Organised	147	General discharge outlet	20	GB4915-2013	51.18		No
5	Anhui Zongyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	5	Kiln tail	200	GB4915-2013	14.21	4,950	No
		Nitrogen oxides	Organised	5	Kiln tail	400	GB4915-2013	6,961.29	9,900	No
		Particulate matter	Organised	10	Kiln head and tail	30	GB4915-2013	431.91	1,546	No
		Particulate matter	Organised	114	General discharge outlet	20	GB4915-2013	55.48		No

6. Significant Events

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
6	Anhui Chizhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	7	Kiln tail	200	GB4915-2013	388.03	6,270	No
		Nitrogen oxides	Organised	7	Kiln tail	400	GB4915-2013	10,984.94	12,540	No
		Particulate matter	Organised	14	Kiln head and tail	30	GB4915-2013	700.92	1,941	No
		Particulate matter	Organised	155	General discharge outlet	20	GB4915-2013	151.03		No
7	Anhui Huaining Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	389.15	1,550	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,667.22	3,100	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	191.93	622	No
		Particulate matter	Organised	140	General discharge outlet	20	GB4915-2013	162.15		No
8	Anhui Xuancheng Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	901.73	1,125	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,614.11	3,100	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	168.26	617	No
		Particulate matter	Organised	116	General discharge outlet	20	GB4915-2013	45.75		No
9	Wuhu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	6	Kiln tail	200	GB4915-2013	3,129.61	6,920	No
		Nitrogen oxides	Organised	6	Kiln tail	400	GB4915-2013	7725	13,840	No
		Particulate matter	Organised	12	Kiln head and tail	30	GB4915-2013	577.49	2,345	No
		Particulate matter	Organised	291	General discharge outlet	20	GB4915-2013	63.81		No
10	Suzhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	75.88	240	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,456.14	3,300	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	170.25	700	No
		Particulate matter	Organised	133	General discharge outlet	20	GB4915-2013	81.31		No
11	Quanjiao Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	191.59	300	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,897.46	3,300	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	132.07	691	No
		Particulate matter	Organised	124	General discharge outlet	20	GB4915-2013	83.33		No
12	Chaohu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	1,798.26	2,475	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	4,804.24	4,950	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	402.87	869	No
		Particulate matter	Organised	131	General discharge outlet	20	GB4915-2013	41.84		No

6. Significant Events

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
13	Zhongguo Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	97.241	588	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	1,145.99	3,587	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	80.71	690	No
		Particulate matter	Organised	78	General discharge outlet	20	GB4915-2013	29.49		No
14	Jiande Conch	Sulfur dioxide	Organised	2	Kiln tail	100	GB4915-2013	136.31	300	No
		Nitrogen oxides	Organised	2	Kiln tail	320	GB4915-2013	1,802.02	1,840	No
		Particulate matter	Organised	4	Kiln head and tail	20	GB4915-2013	36.78	1,024	No
		Particulate matter	Organised	110	General discharge outlet	10	GB4915-2013	118.81		No
15	Fenyi Conch	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	21	1,028	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	532	1,752	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	28	355	No
		Particulate matter	Organised	92	General discharge outlet	20	GB4915-2013	37		No
16	Yiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	96.43	300	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	4,047.4	4,050	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	266.51	832	No
		Particulate matter	Organised	157	General discharge outlet	20	GB4915-2013	53.11		No
17	Ganzhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	104.34	235	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	2,530.72	2,641	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	275.13	813	No
		Particulate matter	Organised	115	General discharge outlet	20	GB4915-2013	73.79		No
18	Prosperity Conch Cement Co., Ltd.	Sulfur dioxide	Organised	4	Kiln tail	100	DB44/818-2010	320.4	640	No
		Nitrogen oxides	Organised	4	Kiln tail	320	DB44/818-2010	2,127.06	6,590	No
		Particulate matter	Organised	8	Kiln head and tail	30	DB44/818-2010	241.56	1,550	No
		Particulate matter	Organised	202	General discharge outlet	20	DB44/818-2010	334.43		No
19	Guangdong Qingxin Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	100	DB44/818-2010	78.73	320	No
		Nitrogen oxides	Organised	2	Kiln tail	320	DB44/818-2010	2,337.67	3,808	No
		Particulate matter	Organised	4	Kiln head and tail	30	DB44/818-2010	152.12	750	No
		Particulate matter	Organised	108	General discharge outlet	20	DB44/818-2010	55.1		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
20	Yangchun Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	100	DB44/818-2010	192.91	530	No
		Nitrogen oxides	Organised	2	Kiln tail	320	DB44/818-2010	2,895.05	3,548	No
		Particulate matter	Organised	4	Kiln head and tail	30	DB44/818-2010	242.32	1,207	No
		Particulate matter	Organised	202	General discharge outlet	20	DB44/818-2010	331.91		No
21	Guangying Cement	Sulfur dioxide	Organised	2	Kiln tail	100	DB44/818-2010	37.51	234.09	No
		Nitrogen oxides	Organised	2	Kiln tail	320	DB44/818-2010	1,225.45	2,628.93	No
		Particulate matter	Organised	4	Kiln head and tail	30	DB44/818-2010	73.55	537.37	No
		Particulate matter	Organised	88	General discharge outlet	20	DB44/818-2010	8.25		No
22	Xingan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	61.7	300	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,235.2	2,476	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	135.6	559	No
		Particulate matter	Organised	122	General discharge outlet	20	GB4915-2013	218.63		No
23	Xingye Conch	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	39.67	121	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,625.52	2,673	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	189.17	1,037	No
		Particulate matter	Organised	122	General discharge outlet	20	GB4915-2013	27.37		No
24	Fusui Xinning Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	49.97	181	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	3,591.77	3,713	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	183.59	605	No
		Particulate matter	Organised	114	General discharge outlet	20	GB4915-2013	42.39		No
25	Beiliu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	43.53	80	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,436	2,525	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	201.1	600	No
		Particulate matter	Organised	129	General discharge outlet	20	GB4915-2013	76.89		No
26	Longan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	10.78	40	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,106.07	1,240	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	57.69	267	No
		Particulate matter	Organised	86	General discharge outlet	20	GB4915-2013	27.91		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
27	Guangxi Lingyun Tonghong Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	20.23	426	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	727.37	853	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	35.41	177	No
		Particulate matter	Organised	52	General discharge outlet	20	GB4915-2013	19.1		No
28	Shuangfeng Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	86.92	477	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,655.42	2,947	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	177.01	675	No
		Particulate matter	Organised	147	General discharge outlet	20	GB4915-2013	12.9		No
29	Hunan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	98.42	404	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,676.21	2,880	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	151.38	646	No
		Particulate matter	Organised	149	General discharge outlet	20	GB4915-2013	106.49		No
30	Shimen Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	126.46	450	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,074.44	3,075	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	99.49	689	No
		Particulate matter	Organised	140	General discharge outlet	20	GB4915-2013	38.92		No
31	Qiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	453.67	462	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	1,846.3	2,188	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	77.6	936	No
		Particulate matter	Organised	120	General discharge outlet	20	GB4915-2013	37.39		No
32	Jianghua Conch	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	20.77	234	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,183.03	1,350	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	51.3	330	No
		Particulate matter	Organised	116	General discharge outlet	20	GB4915-2013	40.63		No
33	Shaoyang Yeafing New Energy Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	159.22	160	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	802.05	1,395	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	76.16	272	No
		Particulate matter	Organised	69	General discharge outlet	20	GB4915-2013	45.72		No

6. Significant Events

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
34	Hunan Yeafing Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	44.88	67	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	511.89	600	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	25.95	146	No
		Particulate matter	Organised	74	General discharge outlet	20	GB4915-2013	20.84		No
35	Hunan Yiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	30.3	235	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,372.55	1,450	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	67.42	327	No
		Particulate matter	Organised	78	General discharge outlet	20	GB4915-2013	13.76		No
36	Lianyuan Cement	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	25.46	151	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,101.93	1,440	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	112.58	340	No
		Particulate matter	Organised	89	General discharge outlet	20	GB4915-2013	47.01		No
37	Linxiang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	130.82	150	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,020.87	1,200	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	45.8	300	No
		Particulate matter	Organised	82	General discharge outlet	20	GB4915-2013	27.85		No
38	Guangyuan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	46.4	343	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,368.48	3,285	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	123.01	700	No
		Particulate matter	Organised	112	General discharge outlet	20	GB4915-2013	48.11		No
39	Dazhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	124.27	284	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,264.1	2,970	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	118.75	590	No
		Particulate matter	Organised	105	General discharge outlet	20	GB4915-2013	50.097		No
40	Bazhong Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	103.78	142	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,007.46	1,008	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	138.13	327	No
		Particulate matter	Organised	70	General discharge outlet	20	GB4915-2013	12.56		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
41	Sichuan Nanwei Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	46.73	56	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	641.34	800	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	40.68	110	No
		Particulate matter	Organised	64	General discharge outlet	20	GB4915-2013	21.22		No
42	Chongqing Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	DB50/656-2016	882.7	2,252	No
		Nitrogen oxides	Organised	3	Kiln tail	350	DB50/656-2016	2,529.6	3,941	No
		Particulate matter	Organised	6	Kiln head and tail	30	DB50/656-2016	186.88	875	No
		Particulate matter	Organised	181	General discharge outlet	20	DB50/656-2016	195.5		No
43	Liangping Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	DB50/656-2016	84.04	792	No
		Nitrogen oxides	Organised	1	Kiln tail	350	DB50/656-2016	1,036.59	1,386	No
		Particulate matter	Organised	2	Kiln head and tail	30	DB50/656-2016	94.03	340	No
		Particulate matter	Organised	81	General discharge outlet	20	DB50/656-2016	50.03		No
44	Linxia Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	16.42	146	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	360.24	971	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	23.05	164	No
		Particulate matter	Organised	99	General discharge outlet	20	GB4915-2013	13.93		No
45	Pingliang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	109.4	1,515	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,052.57	3,030	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	168.66	646	No
		Particulate matter	Organised	107	General discharge outlet	20	GB4915-2013	9.02		No
46	Guiyang Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	200	GB4915-2013	388.5	706	No
		Nitrogen oxides	Organised	3	Kiln tail	400	GB4915-2013	3,159.5	3,902	No
		Particulate matter	Organised	6	Kiln head and tail	30	GB4915-2013	251.8	985	No
		Particulate matter	Organised	170	General discharge outlet	20	GB4915-2013	22.32		No
47	Zunyi Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	329.83	1,815	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	1,792.08	3,630	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	185.13	908	No
		Particulate matter	Organised	137	General discharge outlet	20	GB4915-2013	67.21		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
48	Tongren Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	74.71	1,485	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,019.11	2,970	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	109.97	632	No
		Particulate matter	Organised	116	General discharge outlet	20	GB4915-2013	31.31		No
49	Guiding Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	275.12	1,559	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,344.61	3,119	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	187.62	660	No
		Particulate matter	Organised	130	General discharge outlet	20	GB4915-2013	91.18		No
50	Qianxinan Resource Development Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	40	310	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	617	620	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	36	128	No
		Particulate matter	Organised	84	General discharge outlet	20	GB4915-2013	11.32		No
51	Shuicheng Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	124.18	447	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	1,023.84	1,734	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	258.17	394	No
		Particulate matter	Organised	71	General discharge outlet	20	GB4915-2013	15.09		No
52	Liukuangruian	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	239.13	529	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	1,402.46	2,260	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	102.76	481	No
		Particulate matter	Organised	102	General discharge outlet	20	GB4915-2013	36.59		No
53	Liquan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	100	DB61/941-2014	79.56	209	No
		Nitrogen oxides	Organised	2	Kiln tail	320	DB61/941-2014	1,667.55	1,908	No
		Particulate matter	Organised	4	Kiln head and tail	20	DB61/941-2014	98.89	336	No
		Particulate matter	Organised	164	General discharge outlet	10	DB61/941-2014	46.98		No
54	Qianyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB61/941-2014	23.66	221	No
		Nitrogen oxides	Organised	1	Kiln tail	320	DB61/941-2014	764	882	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB61/941-2014	60.2	159	No
		Particulate matter	Organised	93	General discharge outlet	10	DB61/941-2014	17.83		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
55	Baoji Zhongxi Jinlinghe Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB61/941-2014	32.16	221	No
		Nitrogen oxides	Organised	1	Kiln tail	320	DB61/941-2014	714.77	882	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB61/941-2014	27.71	147	No
		Particulate matter	Organised	77	General discharge outlet	10	DB61/941-2014	22.99		No
56	Qianxian Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB61/941-2014	40.153	192	No
		Nitrogen oxides	Organised	1	Kiln tail	320	DB61/941-2014	984.48	1,228	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB61/941-2014	51.66	187	No
		Particulate matter	Organised	113	General discharge outlet	10	DB61/941-2014	29.66		No
57	Baoji Zhongxi Fenghuangshan Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB61/941-2014	23.87	221	No
		Nitrogen oxides	Organised	1	Kiln tail	320	DB61/941-2014	712.18	882	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB61/941-2014	24.56	147	No
		Particulate matter	Organised	92	General discharge outlet	10	DB61/941-2014	21.72		No
58	Shaanxi Tongchuan Fenghuang Construction Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB61/941-2014	35.89	309	No
		Nitrogen oxides	Organised	1	Kiln tail	320	DB61/941-2014	785.4	990	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB61/941-2014	23.76	181	No
		Particulate matter	Organised	46	General discharge outlet	10	DB61/941-2014	11.55		No
59	Jining Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	100	DB37/2376-2013	21.6	276	No
		Nitrogen oxides	Organised	1	Kiln tail	300	DB37/2376-2013	388.1	827	No
		Particulate matter	Organised	2	Kiln head and tail	20	DB37/2376-2013	17.71	207	No
		Particulate matter	Organised	111	General discharge outlet	10	DB37/2376-2013	13.95		No
60	Baoshan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	2.08	151	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,293.06	1,535	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	27.68	312	No
		Particulate matter	Organised	78	General discharge outlet	20	GB4915-2013	17.9		No
61	Longling Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	1.75	43	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	501.58	750	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	11.88	163	No
		Particulate matter	Organised	90	General discharge outlet	20	GB4915-2013	6.6		No

6. Significant Events

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
62	Yingjiangyunhan Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	17.19	55	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	1,070.44	1,240	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	60.11	258	No
		Particulate matter	Organised	95	General discharge outlet	20	GB4915-2013	26.07		No
63	Wenshan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	200	GB4915-2013	89.22	241	No
		Nitrogen oxides	Organised	2	Kiln tail	400	GB4915-2013	2,765.95	2,790	No
		Particulate matter	Organised	4	Kiln head and tail	30	GB4915-2013	123.8	604	No
		Particulate matter	Organised	98	General discharge outlet	20	GB4915-2013	49.53		No
64	Kunming Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	32.38	62	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	651.84	775	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	21.93	79	No
		Particulate matter	Organised	41	General discharge outlet	20	GB4915-2013	7.54		No
65	Yunnan Zhuangxiang Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	26.41	173	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	480.69	576	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	30.66	124	No
		Particulate matter	Organised	30	General discharge outlet	20	GB4915-2013	40.12		No
66	Hami Hongyi Construction Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	200	GB4915-2013	1.15	45	No
		Nitrogen oxides	Organised	1	Kiln tail	400	GB4915-2013	279.26	750	No
		Particulate matter	Organised	2	Kiln head and tail	30	GB4915-2013	13.99	153	No
		Particulate matter	Organised	62	General discharge outlet	20	GB4915-2013	7.07		No
67	Ningbo Conch Cement Co., Ltd.	Particulate matter	Organised	78	General discharge outlet	10	GB4915-2013	17.9		No
68	Shangyu Conch Cement Co., Ltd.	Particulate matter	Organised	38	General discharge outlet	10	GB4915-2013	14.96	22	No

6. Significant Events

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
69	Ninghai Qiangjiao Conch Cement Co., Ltd.	Particulate matter	Organised	95	General discharge outlet	10	GB4915-2013	52.36		No
70	Xiangshan Conch Cement Co., Ltd.	Particulate matter	Organised	114	General discharge outlet	10	GB4915-2013	52.01		No
71	Yueqing Conch	Particulate matter	Organised	81	General discharge outlet	20	GB4915-2013	55.58		No
72	Taizhou Conch Cement Co., Ltd.	Particulate matter	Organised	55	General discharge outlet	10	GB4915-2013	56.7		No
73	Shanghai Mingzhu Conch Cement Co., Ltd.	Particulate matter	Organised	29	General discharge outlet	20	GB4915-2013	3.08		No
74	Jiangxi Ganjiang Conch Cement Co., Ltd.	Particulate matter	Organised	72	General discharge outlet	20	GB4915-2013	614		No
75	Jinxian Conch Cement Co., Ltd.	Particulate matter	Organised	52	General discharge outlet	20	GB4915-2013	59.51		No
76	Maoming Dadi Cement Co., Ltd.	Particulate matter	Organised	35	General discharge outlet	20	DB44/818-2010	13.35		No
77	Bengbu Conch Cement Co., Ltd.	Particulate matter	Organised	86	General discharge outlet	20	GB4915-2013	35.13		No
78	Lu'an Conch Cement Co., Ltd.	Particulate matter	Organised	72	General discharge outlet	20	GB4915-2013	32.58		No
79	Huainan Conch Cement Co., Ltd.	Particulate matter	Organised	110	General discharge outlet	20	GB4915-2013	72.24		No

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/m^3)	Implemented standards for discharge of pollutants (mg/m^3)	Total amount of actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
80	Bozhou Conch Cement Co., Ltd.	Particulate matter	Organised	44	General discharge outlet	20	GB4915-2013	24.8		No
81	Ma'anshan Conch Cement Co., Ltd.	Particulate matter	Organised	65	General discharge outlet	20	GB4915-2013	93.7		No
82	Nantong Conch Cement Co., Ltd.	Particulate matter	Organised	59	General discharge outlet	20	GB4915-2013	21.17	71	No
83	Haimen Conch Cement Co., Ltd.	Particulate matter	Organised	128	General discharge outlet	20	GB4915-2013	64.6		No
84	Jiangsu Baling Conch Cement Co., Ltd.	Particulate matter	Organised	98	General discharge outlet	20	GB4915-2013	43.84		No

2. **Discharge status of the major pollutants by subsidiaries other than key pollutant discharging units**

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/m^3)	Implemented standards for discharge of pollutants (mg/m^3)	Total amount of actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
1	Anhui Changfeng Conch Cement Co., Ltd.	Particulate matter	Organised	30	General discharge outlet	20	GB4915-2013	13.42		No
2	Huangshan Conch Cement Co., Ltd.	Particulate matter	Organised	68	General discharge outlet	20	GB4915-2013	11.75		No
3	Taizhou Yangwan Conch Cement Co., Ltd.	Particulate matter	Organised	129	General discharge outlet	10	GB4915-2013	34.3		No
4	Yangzhou Conch Cement Co., Ltd.	Particulate matter	Organised	142	General discharge outlet	10	GB4915-2013	36.4		No

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 actual discharge (tonne)	Approved total amount of discharge (tonne)	Excessive discharge
5	Zhangjiagang Conch Cement Co., Ltd.	Particulate matter	Organised	57	General discharge outlet	20	GB4915-2013	26.21		No
6	Taicang Conch Cement Co., Ltd.	Particulate matter	Organised	44	General discharge outlet	10	GB4915-2013	10.26		No
7	Huai'an Conch Cement Co., Ltd.	Particulate matter	Organised	43	General discharge outlet	20	GB4915-2013	32.41	275	No
8	Huai'an Chuzhou Conch Cement Co., Ltd.	Particulate matter	Organised	142	General discharge outlet	20	GB4915-2013	47.4		No
9	Zhenjiang Beigu Conch Cement Co., Ltd.	Particulate matter	Organised	11	General discharge outlet	10	GB4915-2013	5.11	24	No
10	Jiangxi Lushan Conch Cement Co., Ltd.	Particulate matter	Organised	85	General discharge outlet	20	GB4915-2013	53.4		No
11	Nanchang Conch Cement Co., Ltd.	Particulate matter	Organised	41	General discharge outlet	20	GB4915-2013	67.95		No
12	Jianyang Conch Cement Co., Ltd.	Particulate matter	Organised	28	General discharge outlet	20	GB4915-2013	9.66		No
13	Jiangmen Conch Cement Co., Ltd.	Particulate matter	Organised	99	General discharge outlet	20	DB44/818-2010	66.5		No
14	Foshan Conch Cement Co., Ltd.	Particulate matter	Organised	72	General discharge outlet	20	DB44/818-2010	30.17	73	No
15	Zhanjiang Conch Cement Co., Ltd.	Particulate matter	Organised	78	General discharge outlet	20	DB44/818-2010	8.05	194	No

3. Environmental protection investment and achievements of the Group

During the Reporting Period, the Group made continuous efforts in strengthening environmental protection management by closely monitoring the environmental indicators of its subsidiaries through its online environmental protection monitoring system at the headquarters. Meanwhile, the Group increased investments in environmental protection to implement technological improvement in energy conservation and pollution reduction, so as to further consolidate and enhance its core competitive strength and make contribution for building a beautiful China. During the Reporting Period, the Group carried out a total of 827 technological improvement projects for environmental protection with a total investment of RMB2.08 billion.

In terms of reducing sulfur dioxide emissions, the Group implemented desulphurization technological modification for certain production lines, with the sulfur dioxide discharge concentration below 50mg/m^3 which is below the national emission standard limit (according to the Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of sulfur dioxide emission in key areas is 100mg/m^3).

In terms of reducing nitrogen oxide emissions, the Group carried out efficient and pinpoint improvement on SNCR denitration technology for certain production lines and achieved satisfying results, with the NO_x discharge concentration being controlled stably below 200mg/m^3, which is better than the national emission standard limit (according to the Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of nitrogen oxide emission in key areas is 320mg/m^3). During the Reporting Period, the Group also implemented a pilot technological modification on selective catalytic reduction ("SCR") denitration, with a denitration rate of 80-95%. In 2019, the Group will expand the pilot technological modification and continue to collect data and learn from experience, so as to well prepare for the comprehensive promotion and implementation.

In terms of reducing dust emissions, the Group implemented modification on dust collectors for certain production lines, with the average dust discharge concentration being controlled at below 10mg/m^3, achieving significant dust-reducing effect that is superior to national emission standards (according to Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of dust emission in key areas is 20mg/m^3).

6. Significant Events

In terms of reducing CO_2 emissions, the "Demonstration Project for Collection and Purification of CO_2 from the Smoke Emitted by Cement Kilns" piloted by the Group at Baimashan Cement Plant was put into operation during the Reporting Period, with the purity rate of industrial grade carbon dioxide produced and sold reaching 99.99%, which can be widely used in welding, food preservation, dry ice production, electronics, laser, medicine and other fields. The project takes the lead in carbon capture and utilization in the world cement industry, and has far-reaching demonstration significance for promoting carbon emission reduction in China and even the world cement industry, making positive contribution to the construction of a beautiful China and global ecological environmental protection.

For the projects under construction, the Group has completed the environment impact assessment pursuant to relevant requirements, and obtained the approval documents. All of the subsidiaries have developed and implemented the self-monitoring program in strict compliance with the relevant requirements of the emission permit system and self-monitoring technical guidance. The Group has conducted self-monitoring inspection on a quarterly basis and received the monitoring inspection reports on a timely manner, and published its environmental information including company production, equipment operation and pollutant discharge, etc., on a regular basis and prepared and submitted reports on implementation for public supervision pursuant to the requirements of The Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》). In order to strictly comply with the 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, regulations and relevant documents, each subsidiary of the Group has formulated environmental emergency response plan and has completed the necessary filing. They also carried out drills regularly to prevent, warn against and respond to environmental emergency incidents or various environmental emergency issues in relation to or arising from production safety, enabling the Company to take actions in a quick, orderly and efficient manner to manage and reduce damages upon occurrence of any environmental pollution incidents (accidents), thereby safeguarding the public and protecting the environment.

For additional information of measures taken by the Group to comply with the environmental protection policies and regulations and perform its environmental protection responsibility, please refer to the 2018 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 this annual report of the Company.

4. Other required disclosures related to the environment

During the Reporting Period, due to the location of a cargo pier of Tongling Conch (a wholly-owned subsidiary of the Company) ("Tongling Conch Pier") which is inside the Class B reserve of the intake point of the Tongling Water Treatment Plant and in accordance with the work requirements of clearance and upgrading of water source reserves, Tongling Environmental Protection Bureau and Tongling Port and Shipping Bureau issued a written notice requiring Tongling Conch Pier to suspend the operations. Therefore, Tongling Conch has suspended the operations of Tongling Conch Pier in late May, resulting in a temporary suspension of certain production lines of Tongling Conch. On 21 July 2018, Tongling Conch received a written notice from Tongling Environmental Protection Bureau, requesting immediate resumption of operation of Tongling Conch's waste incineration and auxiliary system for treatment of domestic waste of Tongling City. In order to implement the requirements by Tongling Environmental Protection Bureau for waste treatment, the temporarily suspended clinker production lines of Tongling Conch have resumed operation. To secure the normal operation of waste treatment and auxiliary system, Tongling Conch Pier, as an important channel for the shipping of cement and clinker products and the delivery of raw coal to factong, has also resumed operation. For details, please refer to the Company's announcements published on the website of the Stock Exchange and the website of the Company on 12 June 2018 and 26 July 2018 and published on the website of the SSE on 13 June 2018 and 27 July 2018 respectively.

(15) NO EVENT THAT MIGHT IMPOSE MATERIAL IMPACTS

As at the end of the Reporting Period and up to the date of this annual report, there was no occurrence of any event that might impose material impacts on the Group.

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 2018

	A Share/RMB	H Share/HK$
Opening price on the first trading day of the year	29.80	37.20
Closing price on the last trading day of the year	29.28	38.00
Highest trading price during the year	39.88	51.55
Lowest trading price during the year	28.42	36.75

(3) SHAREHOLDERS

1. As at 31 December 2018, the total number of registered shareholders of the Company was 97,046, of which 91 were registered holders of H Shares. As at 28 February 2019, the total number of registered shareholders of the Company was 78,514, of which 94 were registered holders of H Shares.

2. As at 31 December 2018, 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	1,298,343,633	24.50	H Share		
3. Hong Kong Securities Clearing Company Limited	Foreign legal person	365,379,315	6.89	A Share		
4. China Securities Finance Corporation Limited	State-owned legal person	158,706,413	2.99	A Share		
5. CV Investment (Note 3)	Domestic non-state-owned legal person	145,623,539	2.75	A Share		
6. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share		
7. Bank Negara Malaysia	Others	29,702,495	0.56	A Share		
8. FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	21,933,761	0.41	A Share		
9. Industrial & Commercial Bank of China – SSE 50 Trading Open-end Index Securities Investment Fund	Others	21,373,292	0.40	A Share		
10. The National Social Security Fund 106 Composition	Others	18,934,548	0.36	A Share		

Notes:

(1) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings. The shares held by Conch Holdings were not subject to any pledge, freezing order or trust.

(2) HKSCC Nominees Limited held 1,298,343,633 H Shares, representing 24.50% of the total share capital of the Company, and 99.90% of the issued H Shares of the Company. These shares were held on behalf of its various clients.

(3) 45,000,000 floating shares of the Company held by CV Investment which were pledged to Guoyuan Securities Company Limited on 23 May 2017 were released during the Reporting Period, details of which were set out in the announcement of the Company dated 25 May 2018 published on the SSE's website.

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

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

3. As at 31 December 2018, 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 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)
Conch Venture	1,928,870,014 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.23% (Note 2)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 4)	Interest of a controlled corporation	8.97% (Note 3)
BlackRock, Inc.	103,901,632 H Shares (long position) (Note 5)	Interest of a controlled corporation	7.99% (Note 3)

7. Changes in Shares and Shareholders

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
BlackRock, Inc.	136,000 H Shares (short position) (Note 5)	Interest of a controlled corporation	0.01% (Note 3)
JPMorgan Chase & Co.	102,965,245 H Shares (long position) (Note 6)	Interest of a controlled corporation/Investment manager/ Person having a security interest in shares/ Trustee/Approved Lending Agent	7.92% (Note 3)
JPMorgan Chase & Co.	5,336,275 H Shares (short position) (Note 6)	Interest of a controlled corporation	0.41% (Note 3)
Citigroup Inc.	72,313,244 H Shares (long position) (Note 7)	Person having a security interest in shares/ Interest of a controlled corporation/Approved Lending Agent	5.56% (Note 3)
Citigroup Inc.	6,490,061 H Shares (short position) (Note 7)	Interest of a controlled corporation	0.49% (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 held 51% and 49% of the equity interests in Conch Holdings, respectively. 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 Conch Venture, a company listed on the Main Board of the Stock Exchange (stock code: 00586). Pursuant to the SFO, Anhui Provincial Investment Group, Conch Venture Property, CV Green, CV HK, CV International and Conch Venture were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

(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 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.

(5) Based on the disclosure of interests form submitted by BlackRock, Inc. on 3 January 2019 in respect of the relevant event that occurred on 31 December 2018, these shares were held through certain subsidiaries of BlackRock, Inc..

(6) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 3 January 2019 in respect of the relevant event that occurred on 28 December 2018, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 102,965,245 H Shares (long position), 15,167,166 Shares were held in the capacity of interest of a controlled corporation; 12,022,150 Shares were held in the capacity of investment manager; 971,579 Shares were held in the capacity of person having a security interest in shares; 50,725 Shares were held in the capacity of trustee; 74,753,625 Shares (securities in lending pool) in the capacity of approved lending agent. 5,336,275 H Shares (short position) were held in the capacity of interest of a controlled corporation.

(7) Based on the disclosure of interests form submitted by Citigroup Inc. on 19 November 2018 in respect of the relevant event that occurred on 14 November 2018, these shares were held through certain subsidiaries of Citigroup Inc.. Of the 72,313,244 H Shares (long position), 36,500 Shares were held in the capacity of person having a security interest in shares; 9,996,842 Shares were held in the capacity of interest of a controlled corporation; 62,279,902 Shares (securities in lending pool) in the capacity of approved lending agent. 6,490,061 H Shares (short position) were held in the capacity of interest of a controlled corporation.

Save for the aforesaid shareholders, as at 31 December 2018, 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 (a company listed on SZSE) 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 2018, the shareholding relationship structure among Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:

State-owned Assets Supervision and Administration Commission of Anhui Province

100%

Anhui Provincial Investment Group Holdings Co., Ltd.

51%

Anhui Conch Holdings Co., Ltd.

36.40%

Anhui Conch Cement Company Limited

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.

7. Changes in Shares and Shareholders

(4) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, 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 2018, 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 2018, 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	58	2 June 2016 – 1 June 2019
Yang Mianzhi	Independent non-executive Director	Male	50	2 June 2016 – 1 June 2019
Tai Kwok Leung	Independent non-executive Director	Male	62	28 May 2013 – 1 June 2019
Leung Tat Kwong Simon	Independent non-executive Director	Male	59	2 June 2016 – 1 June 2019
Wang Jianchao	Deputy Chairman and Executive Director	Male	55	21 August 2015 – 1 June 2019
Wu Bin	Executive Director	Male	54	2 June 2016 – 1 June 2019
Ding Feng	Executive Director	Male	47	2 June 2016 – 1 June 2019
Wu Xiaoming	Chairman of Supervisory Committee	Male	56	10 October 2017 – 1 June 2019
Wang Pengfei	Supervisor	Male	57	2 June 2015 – 1 June 2019
Wang Chunjian	Staff representative Supervisor	Male	50	23 March 2015 – 1 June 2019

Existing Senior Management

Name	Position	Gender	Age	Date of appointment
Wu Bin	General manager	Male	54	21 August 2015
Li Qunfeng	Deputy general manager	Male	48	23 March 2015
Li Xiaobo	Deputy general manager	Male	49	23 March 2015
Ke Qiubi	Deputy general manager	Male	56	28 June 2017
Li Leyi	Chief engineer of technical art	Male	57	26 March 2012
Yu Shui	Assistant to general manager and secretary to the Board	Male	43	27 October 2017/30 August 2018
Wu Tiejun	Assistant to general manager	Male	39	27 October 2017
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	56	29 August 2000

8. Directors, Supervisors, Senior Management and Staff

Resigned Directors and Senior Management During the Reporting Period

Name	Position before resignation	Gender	Age	Date of resignation
Zhou Bo	Executive Director, chief accountant and secretary to the Board	Male	43	8 June 2018
Xia Xiaoping	Deputy chief accountant	Male	61	9 April 2018

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 2017 (share)	Number of shares sold during the Reporting Period (share)	Number of shares held as at 31 December 2018 (share)
Li Xiaobo	Deputy general manager	193,000	–	193,000
Ke Qiubi	Deputy general manager	378,445	84,600	293,845
Xia Xiaoping	Deputy chief accountant (resigned)	115,000	–	115,000

According to the shareholding reduction plan submitted by Mr. Ke Qiubi, the deputy general manager, the Company disclosed his plan to reduce shareholdings in the Company on the SSE website on 13 December 2017. Subject to strict compliance with relevant requirements under the operation rules of the SSE, Mr. Ke Qiubi sold a total of 84,600 shares of the Company during the period from 9 January 2018 to 29 June 2018 and the Company fulfilled its obligation of information disclosure in a timely manner.

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 organization 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

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 SPIC Anhui Conch Power Selling
	④ Chairman of Conch New Material Company
	⑤ Director of SPIC Anhui Conch Clean Energy
	⑥ Director of Anhui Guofu Industry Investment Fund Management Co., Ltd.
	⑦ Director of Anhui Conch New Energy Co., Ltd.
Li Qunfeng	① Director of Conch Investment Company
	② Chairman of Wuhu Conch Trading Co., Ltd.
	③ Director of Conch New Material Company
Li Xiaobo	① Director of Conch Investment Company
	② Director of SPIC Anhui Conch Power Selling
	③ Director of SPIC Anhui Conch Clean Energy
Yu Shui	Director of Wuhu Conch Trading Co., Ltd.
Wu Tiejun	① Director of Conch Design Institute
	② Director of Conch New Material Company

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 and 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 an 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 Committees in Jiangxi and Guizhou and deputy general manager of the Company. He has extensive experience in finance management, corporate management and the merger and acquisition of projects.

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 Steering Committee on Professional Teaching of Accounting of Higher Education Institutions under the Ministry of Education, a member of the Professional Financial Management Committee of Accounting Society of China and a national leading talent in accounting of the Ministry of Finance. Mr. Yang is the dean for School of Economics and Management of China University of Petroleum. Mr. Yang has extensive experience in corporate financial risk management and 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 SSE (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)), G & M Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6038)), AAG Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2686)) and Shengjing Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 2066)) 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.

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 was the managing director of the Greater China region of Sun Microsystems Inc. (a company listed on the NASDAQ (stock code: JAVA)), a director of the fifth session of board of Beijing Teamsun Technology Co., Ltd. (a company listed on the SSE (stock code: 600410)), and an executive director and chief executive officer of Automated Systems Holdings Limited (a company listed on the Stock Exchange (stock code: 771)), and is currently a director of AsiaSoft Company Limited and adjunct professor of Beijing Institute of Technology, Zhuhai.

8. Directors, Supervisors, Senior Management and Staff

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 committee 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, 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.

8. Directors, Supervisors, Senior Management and Staff

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 technological reform projects for cement production and has extensive experience in technical art design, technology innovation, production organization and corporate management.

Mr. Yu Shui, assistant to general manager and secretary to the Board 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 Guangdong. He is well experienced in production and operation management. Mr. Wu is now also the officer-in-charge of Regional Committee in Guangdong and head of the safety production and environmental protection department of the Company.

SECRETARY TO THE BOARD (COMPANY SECRETARY)

Mr. Yu Shui, please refer to the biography of "Senior Management" above.

Mr. Chiu Pak Yue, Leo, the company secretary (Hong Kong) of the Company, is a Hong Kong practicing 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, privatization of companies and corporate restructuring.

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

During the Reporting Period, Mr. Zhou Bo tendered his resignation as the executive Director, the chief accountant and the company secretary because of his vacation plan for a period of time before seeking other career opportunities, and Mr. Xia Xiaoping tendered his resignation as the deputy chief accountant because he has reached the statutory required retirement age. The Board approved the requests for resignation of Mr. Zhou Bo and Mr. Xia Xiaoping, and expressed its gratitude to them for their contribution to the operation and development of the Company during their tenure.

Based on the recommendation of the Remuneration and Nomination Committee under the Board of the Company, the Board agreed to appoint Mr. Yu Shui as secretary to the Board of the Company on 30 August 2018.

Save for the aforesaid, there was no change in the biographies of other Directors, Supervisors and senior management members of the Company which required disclosure under Rule 13.51B(1) of the HKSE Listing Rules.

(3) LETTER OF APPOINTMENT AND INTERESTS IN CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has issued formal letter of appointment with the respective executive Directors, Supervisors and senior management. For details of the term of appointment, please refer to the above section headed "(1) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

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

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

During the Reporting Period and up to the date of this annual report, no permitted indemnity provision which benefits the Directors (including former Directors) of the Company or any director (including former directors) of the associated entities of the Company was or is currently in force.

During the Reporting Period, the Company has bought and maintained director and senior management liability insurance for proper insurance cover to 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 internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details on 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 and Corporate Governance Report" 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	847,569
Wu Bin	Executive Director and general manager	1,866,748
Ding Feng	Executive Director	0
Yang Mianzhi	Independent non-executive Director	134,211
Tai Kwok Leung	Independent non-executive Director	131,717
Leung Tat Kwong Simon	Independent non-executive Director	131,717
Wu Xiaoming	Chairman of Supervisory Committee	0
Wang Pengfei	Supervisor	0
Wang Chunjian	Staff representative Supervisor	0
Li Qunfeng	Deputy general manager	1,686,996
Li Xiaobo	Deputy general manager	1,624,359
Ke Qiubi	Deputy general manager	1,631,084
Li Leyi	Chief engineer of technical art	1,642,740
Yu Shui	Assistant to general manager and secretary to the Board	1,554,322
Wu Tiejun	Assistant to general manager	1,502,175
Total		**12,753,638**

Notes:

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

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

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

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

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

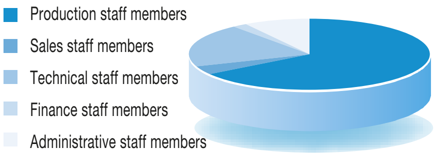
During the Reporting Period, Mr. Zhou Bo, who resigned from his post as an executive Director, chief accountant and secretary to the Board, received remuneration in an amount of RMB136,899 (before tax) for the six months ended June 2018, and Mr. Xia Xiaoping, the resigned deputy chief accountant, received remuneration in an amount of RMB64,215 (before tax) for the three months ended March 2018.

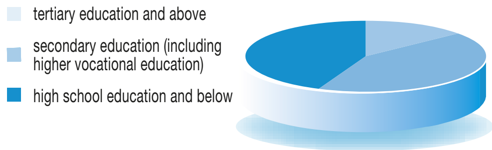
(6) HIGHEST PAID INDIVIDUALS

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

(7) EMPLOYEES

As at 31 December 2018, there were 43,884 staff members under the employment of the Group, of which 27,613 were production staff members, 1,876 were sales staff members, 9,611 were technical staff members, 978 were finance staff members, 3,806 were administrative and management staff members. 13,471 of them received tertiary education and above, 9,348 had secondary education (including higher vocational education), and 21,065 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 fully implemented reforms on the incentive remuneration mechanism and perfected an all-staff performance management system, with an aim to create a competitive remuneration appraisal regime. The Group implemented an annual remuneration system for its middle and senior management members who were assessed based on the Group's production and sales volume, profitability, costs and other key indicators according to the annual objective accountability assessment system, while a position-based and performance-linked salary system was adopted for its professional technical management staff and general staff which were assessed based on position indicators and performance of their duties and responsibilities according to the objective assessment management system based on positions.

In relation to training, the Group organised and provided multi-level training programmes, with an aim to enhance the management capability of the leaders and strengthen 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 cadres' ability in production, operation and management. Meanwhile, efforts were made by each regional branch to strengthen trainings for middle management staff by providing various forms of training including outward development training and internal seminar exchange, so as to improve the professional management capability of the middle management staff. In light of the actual training needs, the subsidiaries also provided daily training for staff from different functions and departments, so as to secure adequate reserve of human resources for stable production and effective management control. In relation to the cultivation of the newly recruited talent, the Group actively explored the establishment of a new pre-job training mechanism for graduates from universities and colleges by organizing the second session of the "Conch Cement Talent Fostering Plan" – a pre-job training class for graduates from major universities and colleges, which assisted the trainees to adapt to their new roles quickly, enhanced their sense of recognition and sense of belonging towards the Company. In relation to overseas talent training, the Group made continuous efforts in innovating the cultivation approach for local staff overseas and reinforced the building of overseas talent team by trial implementation of the "Conch Silk Road Talent Programme (海螺絲路人才計劃)". The Group also worked with the local Confucius Institute in Myanmar to establish Myanmar Conch Workers' University (緬甸海螺職工大學), so as to further improve the cultural qualities and business skills of the local staff overseas.

The Company was not liable for the payment of fee of the resigned and retired employees.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 7(b) to the financial statements prepared in accordance with the IFRSs. Contributions to retirement plans recorded in the income statement of the Group for the year ended 31 December 2018 amounted to RMB503.06 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 provident fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2018, the total housing provident fund paid by the Group amounted to approximately RMB337.28 million.

9. Corporate Governance and Corporate Governance Report

(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 Board of the Company performs its management duties in a diligent, prudent and responsible manner to facilitate the healthy and sound development of the Company, including organizing the implementation of various resolutions passed by the shareholders' general meeting, determining the Company's operation plans and investment proposals, formulating the Company's annual financial budget and settlement proposal as well as profit appropriation proposal, formulating significant acquisition plans as well as appointment or dismissal of the general manager and other senior management of the Company, etc. The Board has delegated day-to-day responsibilities to the executive Directors and senior management of the Company. The management of the Company is the executive authority of daily operation, which is accountable to the Board, with its duties including managing the Company's production and operation, organizing the implementation of the resolutions of the Board, formulating annual production and operation plan and annual financial budget, developing basic management system and basic rules and regulations of the Company, etc.

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.

In regard to the corporate governance, the Company fully applies, based on the above-mentioned levels of power structure, the principles set out in the Corporate Governance Code under Appendix 14 to the HKSE Listing Rules, and there is no material difference from the regulatory documents related to corporate governance of listed company issued by the CSRC.

(2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

On 30 May 2018, the 2017 annual general meeting of the Company was held in the conference room of the Company. Except for Mr. Ding Feng who failed to attend the 2017 annual general meeting due to business trip, other Directors attended the meeting in person. The resolutions considered and passed at the general meeting were published on Shanghai Securities Journal and Securities Times on 31 May 2018.

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 matters subject to their supervision during the Reporting Period.

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

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Terms of Reference of the Remuneration and Nomination Committee and the 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 2018, 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 2018, had exclusive telephone meetings with the Chairman of the Company without the presence of other Directors to discuss the relevant issues and 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 their respective professional point of view, so as to lawfully safeguard the interests of the minority shareholders.

9. Corporate Governance and Corporate Governance Report

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions of the Company for the year ended 31 December 2018, 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 and such personnel will enter into the Annual Targets Responsibility Letter 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 comprehensive 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 comprehensive 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 ("Code Provision") as set out in the Corporate Governance Code 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 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 2018, 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
Wu Bin	Executive Director
Ding Feng	Executive Director
Yang Mianzhi	Independent non-executive Director
Tai Kwok Leung	Independent non-executive Director
Leung Tat Kwong Simon	Independent non-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.

9. Corporate Governance and Corporate Governance Report

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 47 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors during their respective terms of office are set out as follows:

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

Note: Mr. Tai Kwok Leung did not attend the sixth meeting of the seventh session of the Board of the Company held on 22 August 2018 in person, he appointed and authorised Mr. Yang Mianzhi to attend the meeting and 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 Provision D3.1. The Board convened meetings 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 comprehensive knowledge and understand the practical circumstances when they serve the Board. The Directors are committed to complying with Code Provision A.6.5 on Directors' training.

The Company arranged proper continuous professional development trainings for the Directors by various ways and approaches such as holding seminars, providing study materials, arranging 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 regulatory 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 an 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 2018, 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 accurate, explicit, comprehensive and reliable, on a timely basis; and (d) to review the implementation of the Board resolutions.

The principal duties of the chief executive officer (general manager) are: (a) to oversee the management of the daily production and operations of the Group with the assistance of executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including coordination and implementation of the Board resolutions, annual business plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, to organize and formulate the roles and responsibilities of various departments, requirements of various offices and professional management procedures, to formulate the basic management system and the standards for performance appraisal of management officers of various levels; (d) to propose the appointment, 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 section 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 independent non-executive Directors, namely, Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon, 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 the Remuneration and Nomination Committee under the Board, which is principally responsible for formulating the remuneration policy for the Directors and senior management of the Company, determining the remuneration package for each of the Directors and senior management, developing the succession plan of the Directors, etc. The Remuneration and Nomination Committee also assesses the performance of executive Directors and approves the terms of executive Directors' service contracts. The Remuneration and Nomination Committee is a non-standing committee under the Board, which is accountable to the Board.

9. Corporate Governance and Corporate Governance Report

The Remuneration and Nomination Committee regularly reviews the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or on an "as needed" basis. The Remuneration and Nomination Committee has formulated the diversity policy of the Board, under which candidates of Directors of different ages and educational background shall be selected and recommended for to facilitate the stable and healthy development of the Company. Selected and recommended candidates of Directors shall have extensive experiences in such fields as corporate governance, marketing and financial management. When nominating Directors, the Remuneration and Nomination Committee has mainly considered the following factors: (i) professional skills, experience and expertise; (ii) culture; (iii) gender; and (iv) age. Such factors will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Remuneration and Nomination Committee shall review the effectiveness of the policy every year and actively identify suitable candidates for Directors.

When making recommendations regarding the appointment of any proposed candidate for Directors, the Remuneration and Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

(a) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(b) the proposed candidate's character, experience and integrity;

(c) accomplishment and reputation in the business and other relevant sectors relating to the Group's business or development;

(d) commitment in respect of sufficient time and attention to the Company's business;

(e) assess the candidates in accordance to the diversity policy of the Board;

(f) the ability to assist and support management and make significant contributions to the Company's success;

(g) proposed candidate's understanding of the fiduciary responsibilities that is required of a Director and the commitment of time and effort necessary to diligently carry out those responsibilities; and

(h) any other factors as the Remuneration and Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

Once the Remuneration and Nomination Committee determines that an additional or replacement Director is required, the committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, searching for additional information externally, or reliance on the information provided by the members of the Remuneration and Nomination Committee, the Board or management.

As of the end of the Reporting Period, the Board of the Company comprised seven Directors, of whom three are independent non-executive Directors, which is characterized by significant diversity in terms of professional skills, experience, age and culture, thereby promoting critical review and control of the management process of the Company.

During the Reporting Period, the Remuneration and Nomination Committee of the Board of the Company comprised five members, including all independent non-executive Directors, namely, Mr. Tai Kwok Leung, Mr. Yang Mianzhi and Mr. Leung Tat Kwong Simon, and two executive Directors, namely, 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 22 March 2018 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 2017 and the remuneration appraisal targets of the senior management of the Company for year 2018; and (ii) review of and approving with the current structure, number of members and composition of the Board. During the year 2018, no new Director was appointed.

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 2018 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 paragraph headed "1. Decision-making process and basis for determining remuneration" in section (5) of chapter 8 "Directors, Supervisors, Senior Management and Staff" in this report.

8. Audit Committee of the Board

The Board has established the Audit Committee under the Board pursuant to the HKSE Listing Rules and the requirements of 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 organization under the Board and is accountable to the Board.

In order to ensure the Audit Committee's effectiveness in execution of its duties, the Company has formulated the relevant regulations including the Terms of Reference of the Audit Committee and the Regulation on the Work of the Audit Committee on Annual Report. The 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 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 assessment report 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.

9. Corporate Governance and Corporate Governance Report

During the Reporting Period, the Audit Committee of the Board comprised three members, being all independent non-executive Directors, 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, three of which (held on 15 January 2018, 1 March 2018 and 22 March 2018) were attended by all of the committee members in person, Mr. Tai Kwok Leung, a committee member, failed to attend the Audit Committee meeting held on 22 August 2018 due to business trip, and appointed and authorised Mr. Yang Mianzhi to attend the meeting and exercise the voting rights on his behalf. Matters discussed at each meeting were as follows:

(1) On 15 January 2018, the Audit Committee held telephone conference to review the financial statements prepared by the Company for the year 2017 and the Company's management reported on the operation of the Company for 2017 and the arrangement on the preparation of financial report and the main issues required special attention. KPMG, auditors of the Company, reported the time table and the main focus of their audit work for the year 2017. The Audit Committee agreed to allow the auditors to conduct field audit in the Company for the year 2017.

(2) On 1 March 2018, KPMG reported to the Audit Committee on the progress of the auditing by way of telephone conference, and the committee considered that the auditors would be able to complete the audit within the scheduled time frame.

9. Corporate Governance and Corporate Governance Report

(3) On 22 March 2018, the Audit Committee held a meeting in which the following resolutions were considered and approved: (i) the annual financial report for the year ended 31 December 2017 prepared in accordance with the PRC Accounting Standards and IFRSs respectively, which were agreed to be submitted to the Board for approval; (ii) the annual report, its summary and result announcement for the year 2017, which was agreed to be submitted to the Board for approval; (iii) the assessment report on internal control for the year 2017, which was agreed to be submitted to the Board for approval; (iv) the report on the connected transactions which took place in 2017; (v) the resolution regarding the provision of guarantee by the Company for bank loans granted to its subsidiaries and joint ventures, which was agreed to be submitted to the Board for approval; (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, which was agreed to be submitted to the Board for approval; and (vii) the resolution regarding changes to the accounting policies, which was agreed to be submitted to the Board for approval.

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 work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively.

(4) On 22 August 2018, the Audit Committee held a meeting in which following resolutions were considered and approved: (i) the unaudited interim (half-yearly) financial report for the year 2018 prepared in accordance with the IFRSs and PRC Accounting Standards respectively, which were submitted to the Board for approval; and (ii) the half-yearly report for the year 2018 and its summary and the half-yearly results announcement, which were submitted to the Board for approval.

Since the commencement of the audit work in relation to the preparation of the financial report of the Company for the year ended 31 December 2018, the Audit Committee has been participating in the following aspects:

(1) Prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2018 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) After issuance of preliminary audit opinion by the auditors, the Audit Committee reviewed the 2018 financial statements again and considered that the auditors have completed the audit work conscientiously within schedule.

(3) On 21 March 2019, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2018 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 2018, 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 2018.

10. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2018 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. 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 2018, 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 2018 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 Company'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 Company 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.

The Audit Committee reviewed the risk management, internal control system, internal audit function and the effectiveness of these systems and function of the Company for 2017 and 2018 on 22 March 2018 and 21 March 2019 respectively in accordance with the relevant regulations under the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the HKSE Listing Rules as well as the Terms of Reference of the Audit Committee of the Company. The scope of review covered 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. The Committee also analysed 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 of the Group as at 31 December 2018, 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 audit inspecting 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 to the HKSE 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 singly or together) holding in aggregate of over 3% of the shares of the Company 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 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 a 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. Yu Shui 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. Mr. Chiu Pak Yue, Leo is the external secretary of the Company and his main contact person of the Company is Mr. Yu Shui, the company secretary.

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 shareholders and investors of the Company will enjoy equal access rights to information of the Company.

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, also provides the Company's shareholders and investors with the latest information of the Company.

During the Reporting Period, According to the spirits of CPC Central Committee's Certain Opinions on Upholding the Party's Leadership and Strengthening the Party's Construction in Deepening the Reform of State-owned Enterprises (《關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》) and the overall deployment requirements of the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province, the Company incorporates provisions regarding party construction into the Articles. Meanwhile, in order to further strengthen protection of the legitimate rights and interests of the minority investors of the Company and to improve the voting system for minority investors, and in light of the requirements of applicable laws and regulations and the actual situation of the Company, the Company has amended the relevant terms of the Articles, which were considered and approved by the shareholders at the 2017 annual general meeting held on 30 May 2018. Please refer to the announcement of the Company published on the websites of the Stock Exchange and the Company on 22 March 2018 and the website of the SSE on 23 March 2018 for further details.

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 (%)	Mode of Repayment of Principal and Interest	Stock Exchange
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	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 face value on the interest payment date of the seventh interest-bearing year.

2. The 2011 Corporate Bonds of Anhui Conch Cement Company Limited ("11 Conch 02") was due on 22 May 2018, the principal and interest of which were fully paid. Please refer to the announcement of the Company published on the website of the SSE on 15 May 2018 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 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 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 FROM ISSUANCE OF CORPORATE BONDS

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB9,500 million by the Company in 2011 amounted to RMB9,461.98 million. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2012, of which RMB5,034.48 million was used to replenish its working capital and RMB4,427.5 million 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 RMB5,995.24 million. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2013, of which RMB3,000 million was used to replenish its working capital and RMB2,995.24 million was used to repay loans.

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

According to the two credit rating notices (Xinpingweihanzi [2018] tracking No.042 and Xinpingweihanzi [2018] tracking No.043) and rating tracking reports issued by China Chengxin Securities Rating Company Limited ("China Chengxin") in April 2018, and based on the tracking analysis conducted by China Chengxin on the Company and the Company's 2011 Corporate Bonds and 2012 Corporate Bonds, 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 above-mentioned two rating tracking reports were published on the websites of the Company and the SSE on 20 April 2018 and 21 April 2018 respectively.

China Chengxin will continue to conduct rating tracking 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 2019, which will then be published on the websites of the SSE 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 2018, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB7.096 billion (including the guarantee provided for the corporate bonds issued by the Company in an amount of RMB3.5 billion), representing 16.66% of the unaudited net assets (excluding minority interests) of Conch Holdings as at 31 December 2018.

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

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 2018 are as follows:

Items	**31 December 2018**
Net assets (billion)	125.506
Gearing ratio (%)	34.80
Return on net assets (%)	27.99
Current ratio (times)	2.04
Quick ratio (times)	1.76

(6) MEETINGS OF CORPORATE BOND HOLDERS

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

(7) PERFORMANCE OF THE TRUSTEE OF THE CORPORATE BONDS

During the Reporting Period, Ping An Securities Co., Ltd. and Zhong De Securities Company Limited respectively disclosed the Trustee Report on the 2011 Corporate Bonds of Anhui Conch Cement Company Limited (2017) and the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2017) in April 2018, 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 rating tracking 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 2018**	31 December 2017	Year-on-year change between 2018 and 2017 (%)	Reason for the change
Net cash flow generated from investing activities (RMB'000)	**-25,669,697**	-5,202,648	-393.40	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)	**-10,980,002**	-7,499,608	-46.41	Year-on-year increase in the amount of cash dividend
Balance of cash and cash equivalents at the end of the year (RMB'000)	**9,857,672**	10,428,932	-5.48	
Current ratio (%)	**275.52**	217.64	Increased by 57.88 percentage points	Increase in the current assets such as currency capital and receivable notes
Quick ratio (%)	**252.49**	195.35	Increased by 57.14 percentage points	Increase in the current assets such as currency capital and receivable notes
Gearing ratio (%)	**22.15**	24.71	Decreased by 2.56 percentage points	
EBITDA/total debts ratio	**1.36**	0.89	52.81	Increase in the revenue
Loan repayment rate (%)	**100**	100	–	

Major indicators	2018	2017	Year-on-year change between 2018 and 2017 (%)	Reason for the change
Profit before interests, taxation, depreciation and amortization (RMB'000)	**45,065,990**	26,745,920	68.50	Increase in total profit and decrease in financial costs
Interest coverage ratio	**76.82**	30.54	151.54	Increase in total profit and decrease in financial costs
Cash interest coverage ratio	**68.99**	24.16	185.55	Increase in currency capital and decrease in financial costs
EBITDA interest coverage ratio	**86.23**	37.21	131.74	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

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

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

As at the end of the Reporting Period, the facilities granted to the Company by all the banks in aggregate amounted to RMB96.064 billion and US$5.730 billion, of which an amount of RMB5.530 billion and US$510 million were drawn and an amount of RMB90.534 billion and US$5.220 billion remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB1,389.39 million according to the needs for the operation and development of the Company, and repaid bank loans of RMB2,635.89 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 as stipulated in the prospectus of the bonds without any default.

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

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

KPMG

to the shareholders of

Anhui Conch Cement Company Limited

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

OPINION

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 126 to 306, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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(y).

The Key Audit Matter	How the matter was addressed in our audit
The principal activities of the Group are the manufacture, sale and trading of clinker and cement products. The Group recognised revenue from the sales and trading of clinker and cement products of RMB123,840,654 thousand for the year ended 31 December 2018. Revenue from sales and trading of clinker and cement products is recognised when the control over the underlying products is transferred to customers which is generally at the point of time when the products leave the Group's own warehouses or designated warehouses in accordance with the terms of the sales contracts. In respect of the trading business, the Group acts as a principal, and presents revenue on a gross basis. 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 and amount of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the transfer of control over the products sold and assessing the Group's timing of revenue recognition with reference to the requirements of prevailing accounting standards; • understanding the Group's business substance of trading business and inspecting supplier and customer contracts, on a sample basis, to identify terms and conditions relating to the Group's control over the products purchased before sales recognition and assess the Group's justification of presenting the related revenue on a gross basis with reference to the requirements of prevailing accounting standards; • 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; • 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 • 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

21 March 2019

Consolidated statement of profit or loss for the year ended 31 December 2018

(Expressed in Renminbi Yuan ("RMB"))

	Note	2018 RMB'000	2017 Note (i) RMB'000
Revenue	5	**128,402,626**	75,310,820
Cost of sales and services rendered		**(82,641,576)**	(49,788,595)
Gross profit		**45,761,050**	25,522,225
Other revenue	6	**2,593,573**	1,616,486
Other net (loss)/income	6	**(885,346)**	1,742,375
Selling and marketing costs		**(3,733,295)**	(3,571,930)
Administrative expenses		**(4,037,662)**	(3,470,351)
Profit from operations		**39,698,320**	21,838,805
Finance costs	7(a)	**(483,382)**	(683,988)
Share of profits of associates		**230,767**	111,827
Share of profits of joint ventures		**229,614**	8,236
Profit before taxation	7	**39,675,319**	21,274,880
Income tax	8(b)	**(8,993,181)**	(4,800,022)
Profit for the year		**30,682,138**	16,474,858

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of profit or loss for the year ended 31 December 2018 (continued)

(Expressed in Renminbi Yuan ("RMB"))

	Note	2018 RMB'000	2017 Note (i) RMB'000
Attributable to:			
Equity shareholders of the Company		**29,858,303**	15,898,689
Non-controlling interests		**823,835**	576,169
Profit for the year		**30,682,138**	16,474,858
Earnings per share	12		
– Basic		**RMB5.63**	RMB3.00
– Diluted		**RMB5.63**	RMB3.00

The notes on pages 137 to 306 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 37(b).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 Note (i) RMB'000
Profit for the year		**30,682,138**	16,474,858
Other comprehensive income for the year (after tax and reclassification adjustments)	11		
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(152,047)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(15,523)**	(68,293)
Available-for-sale equity securities: net movement in the fair value reserve (recycling) (Note (ii))		**–**	(227,501)
Share of other comprehensive income of investees		**(13,050)**	(14,280)
Other comprehensive income for the year		**(180,620)**	(310,074)
Total comprehensive income for the year		**30,501,518**	16,164,784

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (continued)

(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 Note (i) RMB'000
Attributable to:			
Equity shareholders of the Company		**29,677,379**	15,599,043
Non-controlling interests		**824,139**	565,741
Total comprehensive income for the year		**30,501,518**	16,164,784

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(c)(i).

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of financial position at 31 December 2018

(Expressed in Renminbi Yuan)

	Note	31 December 2018 RMB'000	31 December 2018 RMB'000	31 December 2017 (Note) RMB'000	31 December 2017 (Note) RMB'000
Non-current assets					
Property, plant and equipment					
– Investment properties	13		**64,950**		36,466
– Other property, plant and equipment	14		**63,646,686**		63,293,696
– Lease prepayments	15		**5,024,099**		4,904,924
Intangible assets	16		**3,450,932**		3,196,077
Goodwill	17		**514,398**		493,648
Interests in associates	19		**1,782,230**		1,587,953
Interests in joint ventures	20		**1,399,760**		1,202,810
Loans and receivables	21		**259,414**		263,376
Financial assets measured at fair value through other comprehensive income	22		**258,680**		–
Available-for-sale equity securities	22		**–**		461,409
Deferred tax assets	35(b)		**953,856**		677,819
			77,355,005		76,118,178
Current assets					
Inventories	23	**6,022,717**		4,705,200	
Assets held for sale	24	**62,640**		–	
Trade receivables	25	**14,361,418**		12,179,758	
Prepayments and other receivables	26	**13,778,027**		4,110,966	
Amounts due from related parties	27	**283,489**		219,659	
Tax recoverable	35(a)	**64,949**		49,045	
Restricted cash deposits		**257,838**		330,847	
Bank deposits with maturity over three months		**27,503,597**		14,000,000	
Cash and cash equivalents	28	**9,857,672**		10,428,932	
		72,192,347		46,024,407	

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of financial position at 31 December 2018 (continued)

(Expressed in Renminbi Yuan)

		31 December 2018		31 December 2017 (Note)	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	29	**6,341,351**		4,967,098	
Other payables and accruals	30	**7,940,936**		8,423,956	
Contract liabilities	31	**3,312,151**		–	
Bank loans and other borrowings	32	**4,128,170**		5,620,076	
Amounts due to related parties	27	**273,228**		196,509	
Current taxation	35(a)	**4,156,125**		1,906,664	
		26,151,961		21,114,303	
Net current assets			**46,040,386**		24,910,104
Total assets less current liabilities			**123,395,391**		101,028,282
Non-current liabilities					
Bank loans and other borrowings	33(a)	**6,105,332**		8,358,942	
Deferred income	36	**634,579**		614,099	
Deferred tax liabilities	35(b)	**466,297**		365,947	
			7,206,208		9,338,988
NET ASSETS			**116,189,183**		91,689,294

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of financial position at 31 December 2018 (continued)

(Expressed in Renminbi Yuan)

		31 December 2018		31 December 2017 (Note)	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES					
Share capital	37(c)		**5,299,303**		5,299,303
Reserves			**107,177,285**		83,850,646
Total equity attributable to equity shareholders of the Company			**112,476,588**		89,149,949
Non-controlling interests			**3,712,595**		2,539,345
TOTAL EQUITY			**116,189,183**		91,689,294

Approved and authorised for issue by the board of directors on 21 March 2019.

Gao DengBang
Directors

Wu Bin
Directors

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 137 to 306 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2018

(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 (recycling) RMB'000	Fair value reserve (non-recycling) RMB'000	Share of other comprehensive income of 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	37(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 (Note)		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 137 to 306 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2018 (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 (recycling) RMB'000	Fair value reserve (non-recycling) RMB'000	Share of other comprehensive income of investees RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 (Note)		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
Impact on initial application of IFRS 9		-	-	-	-	-	(312,150)	312,150	-	-	-	-	-
Adjusted balance at 1 January 2018		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
Changes in equity for 2018:													
Profit for the year		-	-	-	-	-	-	-	-	29,858,303	29,858,303	823,835	30,682,138
Other comprehensive income	11	-	-	-	(15,827)	-	-	(152,047)	(13,050)	-	(180,924)	304	(180,620)
Total comprehensive income		-	-	-	(15,827)	-	-	(152,047)	(13,050)	29,858,303	29,677,379	824,139	30,501,518
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(94,257)	(94,257)
Dividends approved in respect of the previous year	37(b)(ii)	-	-	-	-	-	-	-	-	(6,359,163)	(6,359,163)	-	(6,359,163)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	267,205	267,205
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-	-	-	176,163	176,163
Share of change of capital reserve of the investees		-	-	8,423	-	-	-	-	-	-	8,423	-	8,423
Balance at 31 December 2018		5,299,303	10,135,850	224,624	(57,280)	2,649,654	-	160,103	7,428	94,056,906	112,476,588	3,712,595	116,189,183

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 137 to 306 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2018 RMB'000	2017 RMB'000	2017 RMB'000
Operating activities					
Cash generated from operations	28(b)	**42,972,413**		21,011,908	
Income tax paid		**(6,913,447)**		(3,648,880)	
Interest paid		**(556,226)**		(695,298)	
Net cash generated from operating activities			**35,502,740**		16,667,730
Investing activities					
Payment for the purchase of property, plant and equipment		**(4,329,089)**		(3,334,040)	
Proceeds from disposal of property, plant and equipment		**42,681**		79,040	
Payment for lease prepayments		**(266,377)**		(57,022)	
Proceeds from disposal of lease prepayments		**7,542**		25,017	
Payment for the purchase of intangible assets		**(153,055)**		(265,073)	
Loan to a related party		**–**		(27,960)	
Loans repaid by a related party		**–**		27,960	
Proceeds from sale of available-for-sale equity securities		**–**		3,727,226	
New advances to government		**(89,238)**		(138,123)	
Receipts of advances to government		**112,428**		133,888	
New bank deposits with maturity over three months		**(34,548,597)**		(40,500,000)	
Proceeds from maturity of bank deposits over three months		**21,045,000**		36,000,000	
Interest received		**941,442**		599,804	
Proceeds from sale of the investment in an associate	19	**–**		969,820	
Payment for the investment in joint ventures		**–**		(42,106)	
Dividends received from joint ventures		**15,524**		24,069	
Dividends received from associates		**44,913**		–	
Acquisitions of subsidiaries and business, net of cash acquired		**(591,295)**		(447,677)	
Dividends received from investment in securities		**–**		1,817	
Payment for purchase of wealth management products issued by bank		**(14,000,000)**		(4,400,000)	
Receipts from wealth management products issued by bank		**6,000,000**		2,400,000	
Receipts from investment income on wealth management products issued by bank		**98,424**		20,712	
Net cash used in investing activities			**(25,669,697)**		(5,202,648)

The notes on pages 137 to 306 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2018 (continued)

(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2018 RMB'000	2017 RMB'000	2017 RMB'000
Financing activities					
Payment for acquisition of non-controlling interests		**–**		(1,807,503)	
Proceeds from new bank loans and other borrowings	28(c)	**1,389,385**		1,827,438	
Repayment of bank loans and other borrowings	28(c)	**(5,232,265)**		(3,951,726)	
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	28(c)	**(352,322)**		(136,759)	
Dividends paid to equity shareholders of the Company		**(6,375,417)**		(2,645,336)	
Capital contribution from non-controlling interests		**181,903**		175,495	
Other payments related to financing activities	28(c)	**(35,059)**		(265,919)	
Net cash used in financing activities			**(10,423,775)**		(6,804,310)
Net (decrease)/increase in cash and cash equivalents			**(590,732)**		4,660,772
Effect of foreign exchange rate changes			**19,472**		(31,406)
Cash and cash equivalents at 1 January	28(a)		**10,428,932**		5,799,566
Cash and cash equivalents at 31 December	28(a)		**9,857,672**		10,428,932

The notes on pages 137 to 306 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, sale and trading of clinker 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 2018 comprise the Company and its subsidiaries and the Group's interests 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:

– equity investments (see note 2(g)); and

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(cc)).

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income (FVOCI)	(312,150)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	312,150

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

a. Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	**IFRS 9 carrying amount at 1 January 2018 RMB'000**
Financial assets measured at FVOCI (non-recyclable)			
Equity securities (Note)	–	461,409	**461,409**
Financial assets classified as available-for-sale under IAS 39	461,409	(461,409)	**–**

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

a. Classification of financial assets and financial liabilities (continued)

Note:

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Anhui Xinli Finance Co., Ltd at FVOCI (non-recycling), as the investment is not held for trading purpose.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in notes 2(g), (h), (o)(i), (s) and (t).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 2(o)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, restricted cash deposits, bank deposits with maturity over three months, trade receivables, prepayments and other receivables, amounts due from related parties and loans and other receivables);

– contract assets as defined in IFRS 15 (see note 2(q)); and

– financial guarantee contracts issued (see note 2(o)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see note 2(o)(i) and (ii).

The Group did not make adjustment of opening loss allowance as at 1 January 2018, as the Group assessed that the closing loss allowance determined in accordance with IAS39 as at 31 December 2017 has no material difference from the opening loss allowance determined in accordance with IFRS9 as at 1 January 2018.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and the Group has not identified any material cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on retained earnings and the related tax as at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. 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;

C. 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 adoption of IFRS 15 does not have a material impact on when the Group recognises revenue from the sale and trading of clinker and cement products.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

b. Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 2(q)).

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

"Receipts in advance from customers" amounting to RMB1,833,319,000 as at 1 January 2018, which were previously included in "other payables and accruals" are now included under "contract liabilities".

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

c. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15.

The tables show only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15 (A) RMB'000	**Hypothetical amounts under IAS 18 and IAS 11 (B)** RMB'000	**Difference: Estimated impact of adoption of IFRS 15 on 2018 (A)-(B)** RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Other payables and accruals	7,940,935	11,253,086	(3,312,151)
Contract liabilities	3,312,151	–	3,312,151

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(e) Associates and joint ventures

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

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

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

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

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

In the Company's statement of financial position, investments in associates and joint ventures 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 policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 38(f). 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)

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(y)(v)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(A) Policy applicable from 1 January 2018 (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings.

It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(y)(iv).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

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)

(B) Policy applicable prior to 1 January 2018 (continued)

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2 (o)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 2(y)(iv) and 2(y)(v), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(o)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment properties

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. Rental income from investment properties is accounted for as described in note 2(y)(iii). Depreciation is calculated to write off the cost of investment property, less their estimated residual value, using the straight-line method over their estimated useful lives as follows:

– Buildings	30 years

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(bb)).

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(bb)).

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) Credit losses and Impairment of assets

(i) Credit losses from financial instruments and contract assets.

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, restricted cash deposits, bank deposits with maturity over three months, trade receivables, prepayments and other receivables, amounts due from related parties and loans and other receivables); and

– contract assets as defined in IFRS 15 (see note 2(q))

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade receivables, prepayments and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2 (y)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade receivables, prepayments and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties 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 existed, an impairment loss was determined and recognised as follows:

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

- For trade receivables, prepayments and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets. (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was 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 were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

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

(ii) Credit losses from 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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

Financial guarantees issued are initially recognised within "other payables and accruals" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or 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.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 2(y)(vii)).

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "other payables and accruals" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(o)(i) apply.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

(A) Policy applicable from 1 January 2018 (continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "other payables and accruals" in respect of the guarantee.

(iii) Impairment of other non-current 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:

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

- 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).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (continued)

(iii) Impairment of other non-current 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) Credit losses and Impairment of assets (continued)

(iv) 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 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.

(p) Inventories and other contract costs

(i) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories and other contract costs (continued)

(i) Inventories (continued)

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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(p)(i)), property, plant and equipment (see note 2(k)) or intangible assets (see note 2(m)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(y).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(o)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(r)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(y)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(r)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(y)).

Policy prior to 1 January 2018

In the comparative period, amounts received before the related work was performed were presented as “receipts in advance from customers” under “other payables and accruals”. These balances have been reclassified on 1 January 2018 as shown in note 30 (see note 2(c)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade receivables and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(o)(i)).

(s) 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2 (o)(i).

(t) Trade payables, other payables and accruals

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

(u) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2 (bb)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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.

(ii) Defined contribution retirement plan obligations

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. In addition, the Group joined the corporate annuity plan approved by relevant PRC authorities. Contribution to the annuity plan is charged to expense as incurred.

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.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax

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

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

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

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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (continued)

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

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

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

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:

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (continued)

- 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.

(x) Provisions and contingent liabilities

Provisions are recognised 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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sale of goods

Revenue is recognised when the control over the underlying products is transferred to customers which is generally at the point of time when the products leave the Group's own warehouses or designated warehouses in accordance with the terms of the sales contracts. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts. Revenue from sale of goods was recognised on a similar basis in the comparative period under IAS 18.

(ii) Rendering of services

Revenue for rendering of services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customer simultaneously receives the benefits provided by the Group's performance as the Group performs. Revenue from rendering of service was recognised on a similar basis in the comparative period under IAS11 and IAS 18.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (continued)

(iii) 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.

(iv) 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.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(o)(i)).

(vi) 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (continued)

(vii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 2(o)(ii)).

(z) Repairs and maintenance

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

(aa) 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. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. 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 Renminbi 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)

(bb) 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.

(cc) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(dd) 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)

(dd) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ee) 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 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Notes 17 and 38 contain 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(a) Sources of estimation uncertainty (continued)

(ii) Depreciation and amortisation

As described in note 2(i) and note 2(k), investment properties and 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 2(j) and note 2(m), leasehold land held for own use under operating leases and 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) Loss allowance for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts by using expected credit loss models. Expected credit loss on these trade receivables and prepayments and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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 third parties on 6 August 2018. The acquired subsidiary is located in the PRC and is principally engaged in the manufacture and sale of clinker and cement related products.

During the period from the acquisition date to 31 December 2018, the acquired subsidiary contributed revenue of RMB388,849,000 and profit of RMB72,287,000 to the Group's results. Had the acquisition occurred on 1 January 2018, management estimates that the consolidated revenue of the Group for the year ended 31 December 2018 would have been RMB128,947,257,000 and the consolidated profit for the year would have been RMB30,758,802,000. 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 2018. Details of the acquired subsidiary is as follows:

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
Guangdong Qingyuan Guangying Cement Co., Ltd. ("Guangying Cement") 廣東清遠廣英水泥有限公司	80%	6 August 2018	Manufacture and sale of clinker and cement products

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

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	710,939
Intangible assets	49,247
Lease prepayments	112,544
Inventories	85,462
Cash and cash equivalents	10,021
Trade receivables, prepayments and other receivables	8,198
Bank loans and other borrowings	(25,770)
Trade payables and other liabilities	(41,009)
Deferred tax liabilities	(28,818)
Total net identifiable assets of the acquiree	880,814

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATION (CONTINUED)

Goodwill

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

	RMB'000
Total cash consideration	725,401
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquiree	176,163
Fair value of net identifiable assets	(880,814)
Goodwill arising from the above acquisition	20,750

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

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing, sale and trading of clinker and cement products. Further details regarding the Group's revenue from principal activities are disclosed below.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by service lines		
– Sales of clinker and cement products and other materials	**98,902,138**	72,954,296
– Trading of clinker and cement products and other materials	**29,255,190**	2,110,525
– Service income	**245,298**	245,999
	128,402,626	75,310,820
Disaggregated by geographical location of customers		
– Eastern China	**39,648,021**	23,349,307
– Central China	**42,629,853**	23,682,948
– Southern China	**15,925,313**	11,432,969
– Western China	**28,619,793**	15,841,142
– Overseas	**1,579,646**	1,004,454
	128,402,626	75,310,820

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 5(b).

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for clinker and cement products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of clinker and cement products that have an original expected duration of one year or less.

(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 manufacture and sale of clinker and cement products. No operating segments have been aggregated to form the following reportable segments.

(i) Segment results, assets and liabilities

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

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)

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)

Disaggregation of revenue from contracts with customers by the type and timing of revenue recognition, as well as 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 2018 and 2017 is set out below.

For the year ended 31 December 2018

	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 5(b)(ii)) RMB'000	Total RMB'000
Disaggregated by type of business								
Sales of clinker cement products and other materials	29,846,333	31,687,635	14,421,323	21,456,876	1,489,971	98,902,138	-	98,902,138
Trading	9,732,521	10,804,833	1,494,707	7,133,454	89,675	29,255,190	-	29,255,190
Service Income	69,167	137,385	9,283	29,463	-	245,298	-	245,298
Revenue from external customers	39,648,021	42,629,853	15,925,313	28,619,793	1,579,646	128,402,626	-	128,402,626
Disaggregated by timing of revenue recognition								
Point in time	39,578,854	42,492,468	15,916,030	28,590,330	1,579,646	128,157,328	-	128,157,328
Over time	69,167	137,385	9,283	29,463	-	245,298	-	245,298
Revenue from external customers	39,648,021	42,629,853	15,925,313	28,619,793	1,579,646	128,402,626	-	128,402,626
Inter-segment revenue	6,445,812	24,296,220	611,724	358,902	-	31,712,658	(31,712,658)	-
Reportable segment revenue	46,093,833	66,926,073	16,537,037	28,978,695	1,579,646	160,115,284	(31,712,658)	128,402,626
Reportable segment profit (profit before taxation)	5,106,939	33,578,990	6,310,737	7,832,772	(92,660)	52,736,778	(13,107,583)	39,629,195

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)

	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 5(b)(ii)) RMB'000	Total RMB'000
Interest income	13,040	1,199,607	6,201	16,696	3,519	1,239,063	(162,517)	1,076,546
Interest expense	(20,658)	(331,814)	(22,959)	(107,814)	(156,556)	(639,801)	156,419	(483,382)
Depreciation and amortisation for the year	(462,289)	(2,070,634)	(718,989)	(1,497,251)	(220,228)	(4,969,391)	15,978	(4,953,413)
Impairment losses of property, plant and equipment	(3,930)	(42,614)	-	(150,892)	(2,853)	(200,289)	-	(200,289)
Reportable segment assets (including interests in associates and joint ventures)	16,999,461	120,819,735	12,797,942	27,837,055	9,489,193	187,943,386	(38,396,034)	149,547,352
Investment in associates and joint ventures	-	1,356,367	-	1,731,031	94,592	3,181,990	-	3,181,990
Additions to non-current segment assets during the year	431,652	2,439,471	1,514,391	692,386	983,981	6,061,881	-	6,061,881
Reportable segment liabilities	11,150,306	16,001,696	1,906,839	12,872,603	8,525,856	50,457,300	(17,327,821)	33,129,479

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 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 5(b)(ii)) RMB'000	Total RMB'000
Disaggregated by type of business								
Sales of clinker cement products and other materials	22,266,714	22,439,147	11,427,127	15,816,854	1,004,454	72,954,296	–	72,954,296
Trading	999,744	1,110,781	–	–	–	2,110,525	–	2,110,525
Service Income	82,849	133,020	5,842	24,288	–	245,999	–	245,999
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
Disaggregated by timing of revenue recognition								
Point in time	23,266,458	23,549,928	11,427,127	15,816,854	1,004,454	75,064,821	–	75,064,821
Over time	82,849	133,020	5,842	24,288	–	245,999	–	245,999
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)	–

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)

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

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

	2018 **RMB'000**	2017 RMB'000
Revenue		
Elimination of inter-segment revenue	**(31,712,658)**	(24,659,789)

	2018 **RMB'000**	2017 RMB'000
Profit		
Elimination of inter-segment profits	**(13,107,583)**	(4,605,255)
Difference between CAS and IFRS*	**46,124**	46,124
	(13,061,459)	(4,559,131)

	2018 **RMB'000**	2017 RMB'000
Assets		
Elimination of inter-segment balances	**(38,396,034)**	(38,899,876)

	2018 **RMB'000**	2017 RMB'000
Liabilities		
Elimination of inter-segment balances	**(17,327,821)**	(18,801,717)
Difference between CAS and IFRS*	**228,690**	274,814
	(17,099,131)	(18,526,903)

* The difference mainly arises from deferred income in respect of certain government grants recognised in profit and loss 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**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC	**126,074,679**	72,980,063	**69,836,406**	69,230,272
Others	**2,327,947**	2,330,757	**6,445,450**	5,748,678
	128,402,626	75,310,820	**76,281,856**	74,978,950

6 OTHER REVENUE AND NET (LOSS)/INCOME

	2018 RMB'000	2017 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**1,076,546**	643,830
Subsidy income*	**1,318,923**	925,929
Investment income on wealth management products issued by bank	**198,104**	44,910
Dividend income from listed securities	**–**	1,817
	2,593,573	1,616,486

* 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 (LOSS)/INCOME (CONTINUED)

	2018 **RMB'000**	2017 RMB'000
Other net (loss)/income		
Net (loss)/gain on disposal of property, plant and equipment and lease prepayments	**(54,185)**	41,240
Net realised and unrealised gain on derivative financial instruments	**22,834**	2,307
Net gain on disposal of available-for-sale equity securities	**–**	1,556,793
Net gain on disposal of interest in an associate	**–**	303,104
Net exchange loss	**(113,970)**	(164,789)
Others*	**(740,025)**	3,720
	(885,346)	1,742,375

* Others mainly include the expense incurred by the Group's subsidiary, Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch"), for supporting the government to implement the relocation of a water intake project.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

	2018	2017
	RMB'000	RMB'000
(a) Finance costs		
Interest expense on financial liabilities not at fair value through profit or loss	**522,650**	718,700
Less: Interest expense capitalised into construction-in-progress*	**(39,268)**	(34,712)
	483,382	683,988

* The borrowing costs have been capitalised at rates of 2.65% ~ 5.99% (2017: 1.97% ~ 8.80%).

	2018	2017
	RMB'000	RMB'000
(b) Staff costs*		
Salaries, wages and other benefits	**5,426,643**	4,579,551
Contributions to defined contribution retirement plans	**503,057**	424,125
Annuity	**218,674**	–
	6,148,374	5,003,676

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

	Note	2018 RMB'000	2017 RMB'000
(c) Other items			
Amortisation			
– interest in leasehold land held for own use under operating leases	15	**131,005**	124,320
– intangible assets	16	**175,109**	118,578
Depreciation			
– investment properties	13	**1,519**	1,445
– property, plant and equipment	14	**4,645,780**	4,588,833
Impairment losses			
– trade receivables	38(a)	**1,338**	–
– prepayments and other receivables		**1,094**	–
– property, plant and equipment	14	**200,289**	–
– inventories	23(b)	**6,702**	–
Reversal of impairment losses			
– prepayments and other receivables		**–**	(12)
Auditors' remuneration			
– audit services		**5,262**	5,200
– other services		**71**	439
Research and development costs (other than amortisation costs)		**70,967**	42,386
Cost of inventories*	23(b)	**81,061,621**	48,198,704

* Cost of inventories includes RMB7,544,505,000 (2017: RMB6,761,627,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

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:

	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for the year	**9,124,625**	4,997,607
Under/(over)-provision in respect of prior years	**22,379**	(13,144)
	9,147,004	4,984,463
Deferred tax		
Origination and reversal of temporary differences	**(153,823)**	(184,441)
	8,993,181	4,800,022

No provision for Hong Kong Profits Tax is made for 2018 and 2017 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

The corporate income tax rates of the subsidiaries outside mainland China are as following:

Conch International Holding (HK) Co., Ltd. ("Conch International"), a subsidiary in Hong Kong	16.5%
Luangprabang Conch Cement Co., Ltd. ("Luangprabang Conch") and Vientiane Conch Cement Co., Ltd. ("Vientiane Conch"), subsidiaries in Laos	24%
Conch Cement Volga Limited Liability Company ("Volga Conch"), a subsidiary in Russia	20%
Battambang Conch Cement Company Limited ("Battambang Conch"). a subsidiary in Cambodia	20%
Qarshi Conch Cement Limited Liability Company ("Qarshi Conch"), a subsidiary in Uzbekistan	14%

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)

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") 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司(Note (i))	15%
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note (i))	15%
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司 (Note (i))	15%
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限公司 (Note (i))	15%
Longan Conch Cement Co., Ltd. ("Longan Conch") 隆安海螺水泥有限責任公司 (Note (i))	15%
Linxia Conch Cement Co., Ltd. ("Linxia Conch") 臨夏海螺水泥有限責任公司 (Note (i))	15%

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)

Tongren Conch Panjiang Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian") 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司 (Note (i))	15%
Qianxinan Resource Development Co., Ltd. ("Qianxinan") 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement") 四川南威水泥有限公司 (Note (i))	15%
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd. ("Liangping Conch") 梁平海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd.("Lingyun Tonghong") 廣西淩雲通鴻水泥有限公司 (Note (i))	15%
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥有限責任公司 (Note (i))	15%
Ganzhou Conch Cement Co., Ltd. ("Ganzhou Conch") 贛州海螺水泥有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note (i))	15%
Yingjiangyunhan Cement Co., Ltd. ("Yingjiangyunhan") 盈江縣允罕水泥有限公司 (Note (i))	15%
Kunming Conch Cement Co., Ltd. ("Kunming Conch") 昆明海螺水泥有限公司 (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)

Shaanxi Tongchuan Fenghuang Construction Co., Ltd. (“Fenghuang Construction”) 陝西銅川鳳凰建材有限公司 (Note (i))	15%
Chongqing Material Trading Co., Ltd. (“Chongqing Trading”) 重慶海螺物資貿易有限責任公司 (Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd. (“Conch Construction”) 安徽蕪湖海螺建築安裝工程有限責任公司(Note (ii))	15%
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 of PRC 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 are entitled to a preferential income tax rate of 15% in 2018, among which, Kunming Conch and Fenghuang Construction are first entitled corporate income tax rate of 15% in 2018 (2017: 25%).

(ii) Pursuant to Chapter 28 of the Law of the PRC 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 and obtained a renewed certification in 2018. Accordingly, it is entitled to a preferential income tax rate of 15% from 2018 to 2020.

Refractory Material has obtained a high and new technology enterprise certification 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:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**39,675,319**	21,274,880
Notional tax on profit before taxation calculated at 25% (2017: 25%)	**9,918,830**	5,318,720
Tax effect of subsidiaries subject to tax rates other than 25%	**(838,350)**	(396,896)
Tax effect of non-deductible expenses	**41,597**	60,419
Tax effect of non-taxable income	**(136,188)**	(123,196)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(7,603)**	(21,960)
Under/(over)-provision in respect of prior years	**22,379**	(13,144)
Others	**(7,484)**	(23,921)
Actual tax expense	**8,993,181**	4,800,022

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	2018 Total RMB'000
Chairman					
Gao Dengbang*	-	-	-	-	-
Vice chairman and Executive director					
Wang Jianchao	-	786	-	61	847
Executive directors					
Wu Bin	-	460	1,358	49	1,867
Ding Feng*	-	-	-	-	-
Zhou Bo (resigned on 8 June 2018)	-	116	-	21	137
Independent non-executive directors					
Yang Mianzhi	134	-	-	-	134
Leung Tat Kwong Simon	132	-	-	-	132
Tai Kwok Leung	132	-	-	-	132
Supervisors					
Wang Pengfei*	-	-	-	-	-
Wang Chunjian*	-	-	-	-	-
Wu Xiaoming*	-	-	-	-	-
	398	1,362	1,358	131	3,249

* 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.

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	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)	–	–	–	–	–
	423	1,019	2,435	129	4,006

* 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.

** 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)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2017: three) individuals are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries and other emoluments	**1,625**	732
Discretionary bonuses	**4,766**	3,220
Retirement plan contributions	**194**	101
	6,585	4,053

The emoluments of the four (2017: three) individuals with the highest emoluments are within the following bands:

	2018	2017
	Number of individuals	Number of individuals
HKD1,000,001 – HKD1,500,000	**–**	3
HKD1,500,001 – HKD2,000,000	**4**	–

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

	2018			2017		
	Before-tax amount RMB'000	**Tax benefit RMB'000 (Note 35(b))**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax benefit RMB'000 (Note 35(b))	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**(15,523)**	**-**	**(15,523)**	(68,293)	–	(68,293)
Equity investments measured at FVOCI:						
Movement in fair value reserve (non-recycling) (Note (b))	**(202,729)**	**50,682**	**(152,047)**	–	–	–
Available-for-sale equity securities:						
Movement in fair value reserve (recycling) (Note (b))	**-**	**-**	**-**	(303,336)	75,835	(227,501)
Share of investees' other comprehensive income	**(13,050)**	**-**	**(13,050)**	(14,280)	–	(14,280)
Other comprehensive income	**(231,302)**	**50,682**	**(180,620)**	(385,909)	75,835	(310,074)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME (CONTINUED)

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

	2018 **RMB'000**	2017 RMB'000
Equity investments measured at FVOCI:		
Changes in fair value recognised during the year	**(202,729)**	–
Tax effect of changes in fair value recognised during the year	**50,682**	–
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(152,047)**	–
Available-for-sale equity securities:		
Changes in fair value recognised during the year	**–**	1,351,870
Tax effect of changes in fair value recognised during the year	**–**	(337,967)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**–**	(1,655,206)
Tax effect of gains on disposal	**–**	413,802
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	**–**	(227,501)

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 2018 of RMB29,858,303,000 (2017: RMB15,898,689,000) and the weighted average number of shares in issue during the year ended 31 December 2018 of 5,299,303,000 shares (2017: 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 2018 and 2017, 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 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
At 1 January 2018	47,597
Transfer from property, plant and equipment	36,434
Transfer to property, plant and equipment	(4,599)
At 31 December 2018	79,432
Accumulated depreciation:	
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
At 1 January 2018	11,131
Transfer from property, plant and equipment	2,498
Charge for the year	1,519
Transfer to property, plant and equipment	(666)
At 31 December 2018	14,482
Net book value:	
At 31 December 2018	64,950
At 31 December 2017	36,466

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENT PROPERTIES (CONTINUED)

In 2018, the Group leased out two properties (2017: three properties and one leasehold land) with carrying value of RMB33,936,000 (2017: RMB11,810,000) under operating lease and classified the properties as investment properties accordingly. The investment properties are subsequently measured using the cost model.

In 2018, the Group transferred two investment properties to other property, plant and equipment with carrying value of RMB3,933,000 (2017: RMB2,419,000) 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 RMB81,157,000 as at 31 December 2018 (2017: RMB70,460,000) 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 RMB6,144,000 (2017: RMB4,510,000). Direct operating expenses arising from the investment properties amounted to RMB1,519,000 (2017: RMB1,445,000).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 OTHER 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 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
At 1 January 2018	40,340,858	52,373,003	715,162	1,894,079	3,626,062	98,949,164
Acquisition through business combination (Note 4)	435,014	263,407	2,708	6,494	3,316	710,939
Other additions	30,328	396,946	100,557	173,276	4,041,264	4,742,371
Transfer from/(out) construction-in-progress	1,990,002	2,251,162	25,008	–	(4,266,172)	–
Transfer out to lease prepayment	–	–	–	–	(61,160)	(61,160)
Transfer out to intangible assets	–	–	–	–	(14,234)	(14,234)
Transfer from investment properties	4,599	–	–	–	–	4,599
Reclassification to assets held for sale	(60,893)	(28,987)	–	–	–	(89,880)
Disposals	(36,259)	(333,374)	(11,106)	(63,575)	–	(444,314)
Transfer to investment properties	(36,434)	–	–	–	–	(36,434)
At 31 December 2018	42,667,215	54,922,157	832,329	2,010,274	3,329,076	103,761,051
Accumulated depreciation and impairment:						
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)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
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
At 1 January 2018	9,328,021	24,259,419	559,527	1,508,501	–	35,655,468
Charge for the year	1,317,367	3,161,980	43,841	122,592	–	4,645,780
Impairment loss	56,911	140,504	13	8	2,853	200,289
Transfer from investment properties	666	–	–	–	–	666
Reclassification to assets held for sale	(19,650)	(19,126)	–	–	–	(38,776)
Written back on disposals	(7,761)	(266,755)	(10,215)	(61,833)	–	(346,564)
Transfer to investment properties	(2,498)	–	–	–	–	(2,498)
At 31 December 2018	10,673,056	27,276,022	593,166	1,569,268	2,853	40,114,365
Net book value:						
At 31 December 2018	31,994,159	27,646,135	239,163	441,006	3,326,223	63,646,686
At 31 December 2017	31,012,837	28,113,584	155,635	385,578	3,626,062	63,293,696

As at 31 December 2018, no property, plant and equipment was pledged (2017: none).

Impairment losses

During the year ended 31 December 2018, management assessed certain production equipment of the Group had indicators of impairment due to technical obsolescence and low utilisation of production capacity.

The Group assessed the recoverable amounts of these property, plant and equipment, which were higher of the value in use and the fair value less costs of disposal. To determine the value in use, the Group used a discounted cash flow forecast for each

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment losses (continued)

separately identifiable cash-generating unit ("CGU"). The cash flows were discounted using a pre-tax discount rate of 11.24% that reflects specific risks related to CGUs. The fair value less costs of disposal is determined based on the amount of waste and the price recovered from the expected demolition of these assets.

As a result, the carrying amounts of these property, plant and equipment were written down to their recoverable amounts of RMB195,372,000. An impairment loss of RMB197,436,000 was recognised in "impairment loss" for the year ended 31 December 2018.

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 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
At 1 January 2018	5,810,640
Acquisition through business combination (Note 4)	112,544
Additions	92,673
Transfer from construction-in-progress	61,160
Reclassification to assets held for sale	(11,966)
Disposals	(5,400)
At 31 December 2018	6,059,651

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 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
At 1 January 2018	905,716
Charge for the year	131,005
Reclassification to assets held for sale	(430)
Written back on disposals	(739)
At 31 December 2018	1,035,552
Net book value:	
At 31 December 2018	5,024,099
At 31 December 2017	4,904,924

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 2018 was approximately RMB99,358,000 (2017: RMB180,640,000). 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 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
At 1 January 2018	3,903,875	56,755	131,881	4,092,511
Acquisition through business combination (Note 4)	49,160	–	87	49,247
Additions	314,918	3,879	49,685	368,482
Transfer from construction-in-progress	14,234	–	–	14,234
Disposal	–	(3,980)	–	(3,980)
At 31 December 2018	4,282,187	56,654	181,653	4,520,494
Accumulated amortisation:				
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
At 1 January 2018	856,653	19,282	20,499	896,434
Charge for the year	170,133	2,623	2,353	175,109
Written back on disposals	–	(1,981)	–	(1,981)
At 31 December 2018	1,026,786	19,924	22,852	1,069,562
Net book value:				
At 31 December 2018	3,255,401	36,730	158,801	3,450,932
At 31 December 2017	3,047,222	37,473	111,382	3,196,077

Note: Others mainly represented the acquisition cost for software, 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 2018 was approximately RMB69,202,000 (2017: RMB21,799,000). The directors are of the opinion that the Group is entitled to legally use these limestone and clay mining rights.

17 GOODWILL

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount:		
At 1 January	**493,648**	493,648
Acquisitions through business combinations	**20,750**	–
At 31 December	**514,398**	493,648

Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to groups of cash-generating units (being subsidiaries acquired in each acquisition). Such groups of cash-generating units represent 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 discounted 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. The pre-tax discount rate of 11.24% (2017: 10.48%) reflects current market assessment of the time value of money and specific risks relating to the Group's business.

Based on the impairment tests, no impairment was recorded as at 31 December 2018 (2017: none).

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 2018 are as follows (Hong Kong dollars referred to as "HKD", United States dollars referred to as "USD"):

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司	RMB 5,000,000	100%	100%	–	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	RMB 590,000,000	100%	99.75%	0.25%	Manufacture and sale of clinker and cement products
Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司	RMB 14,000,000	76%	76%	–	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司	RMB 410,000,000	100%	99.27%	0.73%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	99.67%	0.33%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	–	Manufacture and sale of clinker and cement products
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 紹興上虞海螺水泥有限責任公司	RMB 16,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西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
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 273,250,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 70,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 105,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	100%	–	Manufacture and sale of clinker and cement products
Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司	RMB 450,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
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

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
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Conch") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Chongqing Conch 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 165,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
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

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
Qianyang Conch 千陽海螺水泥有限責任公司	RMB 490,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
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

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
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司	RMB 225,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Guiyang Conch 貴陽海螺盤江水泥有限責任公司	RMB 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 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
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
Refractory Material 安徽海螺暹羅耐火材料有限公司	RMB 100,000,000	70%	70%	–	Manufacture, development 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

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 巴中海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wenshan Conch 文山海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司	RMB 30,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Nanwei Cement 四川南威水泥有限公司	RMB 168,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司	RMB 50,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
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

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
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
Conch International 海螺國際控股(香港)有限公司	HKD 300,000,000	100%	100%	–	Investment and trading
Conch Material Trading Co., Ltd. ("Conch Material") 安徽海螺物資貿易有限責任公司	RMB 50,000,000	100%	100%	–	Sale of clinker and cement products
Wuxi Conch Sales Cement Co., Ltd. ("Wuxi Sales") 無錫海螺水泥銷售有限公司	RMB 100,000,000	100%	100%	–	Sale of clinker and cement products
Yingjiangyunhan 盈江縣允罕水泥有限公司	RMB 300,000,000	99%	99%	–	Manufacture and sale of clinker and cement products
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑膠包裝有限責任公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of cement packaging
Shaoyang Yeafing New Energy Co., Ltd. ("Yeafing New Energy") 邵陽市雲峰新能源科技有限公司	RMB 120,000,000	65%	65%	–	Sale and development of profile and related products
Hunan Yeafing Cement Co., Ltd. ("Yeafing Cement") 湖南省雲峰水泥有限公司	RMB 93,000,000	65%	65%	–	Manufacture and sale of clinker and cement products

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
Shuicheng Conch Panjiang Cement Co., Ltd. ("Shuicheng Conch")* 水城海螺盤江水泥有限責任公司	RMB 507,600,000	40%	40%	–	Manufacture and sale of clinker and cement products
Kunming 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

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 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
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%	–	Sale and trading of clinker and cement products and provision of related services
Chongqing Trading 重慶海螺物資貿易有限責任公司	RMB 50,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
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
Wuhu Southeast Asia International Trading Co., Ltd. ("Southeast Asia Trading")** 蕪湖東南亞國際貿易有限公司	USD 40,000,000	55%	55%	–	Sale and trading of clinker and cement products and provision of related 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
Guangying Cement*** 廣東清遠廣英水泥有限責任公司	RMB 345,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Basu Conch Cement Co., Ltd. ("Basu Conch")** 八宿海螺水泥有限責任公司	RMB 227,500,000	70%	70%	–	Manufacture and sale of clinker and cement products
Chuzhou Conch Cement New Construction Materials Co., Ltd. ("Chuzhou New Material")** 滁州海螺新型建材有限公司	RMB 11,000,000	70%	70%	–	Manufacture and sale of concrete products
Jiangsu Conch Cement Construction Materials Co., Ltd. ("Jiangsu Material")** 江蘇海螺建材有限責任公司	RMB 50,000,000	51%	51%	–	Sale and trading of clinker and cement products and provision of related services
Hunan Haizhong Trading Co., Ltd. ("Hunan Haizhong")** 湖南海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Yunnan Haizhong Trading Co., Ltd. ("Yunnan Haizhong")** 雲南海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
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

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
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 100,000,000	100%	100%	–	Sale, exporting and trading of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑膠製品有限公司	RMB 30,000,000	100%	100%	–	Manufacture and sale of cement packaging
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑膠包裝有限公司	RMB 53,554,100	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Conch Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司	RMB 40,000,000	100%	100%	–	Logistic services
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services

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
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
Jiangxi Haizhong Trading Co., Ltd. ("Jiangxi Haizhong")** 江西海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Guizhou Haizhong Trading Co., Ltd. ("Guizhou Haizhong")** 貴州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Bozhou Haizhong Trading Co., Ltd. ("Bozhou Haizhong")** 亳州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Zhengzhou Haizhong Trading Co., Ltd. ("Zhengzhou Haizhong")** 鄭州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Shandong Haizhong Trading Co., Ltd. ("Shandong Haizhong")** 山東海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services

Notes to the financial statements (continued)

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nanjing Haizhong Trading Co., Ltd. ("Nanjing Haizhong")** 南京海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Shanxi Haizhong Trading Co., Ltd. ("Shanxi Haizhong") ** 陝西海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Zhejiang Ningbo Haizhong Trading Co., Ltd. ("Ningbo Haizhong")** 浙江寧波海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Guangxi Chongzuo Haizhong Trading Co., Ltd. ("Chongzuo Haizhong")** 廣西崇左海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services

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(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 2018 are as follows (United States dollars referred to as "USD", Russia rubles referred to as "RUB"):

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	RUB 132,477,680	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 3,000,000	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
Qarshi Conch** 卡爾希海螺水泥外國企業有限責任公司	USD 4,000,000	100%	–	100%	Manufacture and sale of clinker and cement products

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

** These subsidiaries were newly established by the Group in 2018.

*** This subsidiary was acquired by the Group in 2018. 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.

	2018 **RMB'000**	2017 RMB'000
NCI percentage	**1.29% ~ 60%**	1.29% ~ 60%
Current assets	**10,531,928**	7,274,931
Non-current assets	**16,536,849**	15,725,632
Current liabilities	**(9,556,512)**	(9,543,518)
Non-current liabilities	**(3,702,377)**	(3,901,031)
Net assets	**13,809,888**	9,556,014
Carrying amount of NCI	**3,712,595**	2,539,345
Revenue	**23,859,858**	15,643,971
Profit for the year	**2,891,151**	1,773,381
Total comprehensive income	**2,891,084**	1,748,546
Total comprehensive income allocated to NCI	**819,625**	565,741
Dividend declared to NCI	**94,257**	294,824
Cash flows from operating activities	**3,541,742**	2,447,204

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTERESTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,773,405**	1,579,128
Goodwill	**8,825**	8,825
	1,782,230	1,587,953

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	21.11%	–	21.11%	Manufacture and sale of cement related products
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司	USD 15,000,000	Unlisted	40%	40%	–	Manufacture and sale of cement related products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTERESTS 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*	
	2018	2017
	RMB'000	RMB'000
Gross amounts of the associate		
Current assets	**3,152,903**	2,995,935
Non-current assets	**9,870,651**	9,300,365
Current liabilities	**(4,621,346)**	(2,142,308)
Non-current liabilities	**(171,756)**	(2,900,925)
Equity	**8,230,452**	7,253,067
Equity attributable to equity shareholders of the associate	**8,156,762**	7,203,035
Revenue	**5,911,744**	4,760,038
Gain from continuing operations	**1,103,242**	711,388
Other comprehensive income	**–**	–
Total comprehensive income	**1,103,242**	711,388
Dividend received from the associate	**44,913**	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**8,156,762**	7,203,035
Group's effective interest	**21.11%**	21.16%
Group's share of net assets of the associate	**1,722,205**	1,525,758
Goodwill	**8,825**	8,825
Carrying amount in the consolidated financial statements	**1,731,030**	1,534,583

* Figures were quoted from West Cement's recent published financial information, and were adjusted based on the fair value adjustment.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTERESTS IN ASSOCIATES (CONTINUED)

	Other associates	
	2018	2017
	RMB'000	RMB'000
Gross amounts of the associates		
Current assets	**128,000**	129,088
Equity	**128,000**	129,088
Equity attributable to equity shareholders of the associates	**128,000**	129,088
Revenue	**8**	341,310
Loss from continuing operations	**(5,425)**	(370,458)
Other comprehensive income	**–**	(1,382)
Total comprehensive income	**(5,425)**	(371,840)
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associates	**128,000**	129,088
Group's effective interest	**40%**	40%
Group's share of net assets of the associates	**51,200**	51,635
Others	**–**	1,735
Carrying amount in the consolidated financial statements	**51,200**	53,370

20 INTERESTS IN JOINT VENTURES

	31 December 2018	31 December 2017
	RMB'000	RMB'000
Share of net assets	**1,368,088**	1,171,138
Goodwill	**31,672**	31,672
	1,399,760	1,202,810

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the Group's interests in joint ventures, which are unlisted and operating in the PRC and overseas, at 31 December 2018 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 controls these entities, together with other third parties.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTERESTS 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:

	2018 RMB'000	2017 RMB'000
Gross amounts of joint ventures		
Current assets	**2,536,079**	2,100,901
Non-current assets	**4,920,681**	4,839,798
Current liabilities	**(2,488,280)**	(2,336,720)
Non-current liabilities	**(1,550,425)**	(1,810,079)
Equity	**3,418,055**	2,793,900
Equity attributable to equity shareholders of the joint ventures	**3,383,387**	2,763,277
Included in the above assets and liabilities:		
Cash and cash equivalents	**268,991**	295,364
Current financial liabilities (excluding trade and other payables and provisions)	**406,523**	245,333
Revenue	**3,752,900**	3,356,038
Profit from continuing operations	**471,247**	114,945
Other comprehensive income	**(27,912)**	(29,684)
Total comprehensive income	**443,335**	85,261
Dividend received from the joint ventures	**15,524**	24,069
Included in the above profit:		
Depreciation and amortisation	**(299,225)**	(212,164)
Interest income	**2,787**	1,900
Interest expense	**(121,031)**	(99,644)
Income tax expense	**(208,283)**	(99,011)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTERESTS IN JOINT VENTURES (CONTINUED)

	2018 RMB'000	2017 RMB'000
Reconciled to the Group's interests in joint ventures		
Gross amounts of net assets	**3,383,387**	2,763,277
Group's effective interest	**40% – 50%**	40% – 50%
Group's share of net assets of the joint ventures	**1,388,774**	1,225,222
Goodwill	**31,672**	31,672
Other adjustments	**(20,686)**	(54,084)
Carrying amount in the consolidated financial statements	**1,399,760**	1,202,810

21 LOANS AND RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Loans and receivables	**369,414**	392,605
Less: current portion of loans and receivables (note 26)	**(110,000)**	(129,229)
	259,414	263,376

As at 31 December 2018, loans and receivables of the Group mainly represent a loan to Jiande Chengli Construction Material Co., Ltd. ("Chengli Construction Material") (建德市成利建材有限公司), a related party of the Group, and advances made to local government authorities. The loan to related party of RMB27,960,000 is repayable in 2020 at a fixed interest rate of 6% per annum. The advances of RMB65,000,000 (2017: RMB97,000,000) to government authorities are unsecured, bearing interest at rates from 4.35% to 4.75% (2017: from 4.35% to 4.75%) per annum, and repayable from 2019 to 2020. The remaining advances of RMB276,454,000 (2017: RMB267,645,000) are unsecured, interest-free and repayable from 2019 to 2024.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

22 FINANCIAL ASSETS MEASURED AT FVOCI/AVAILABLE-FOR-SALE EQUITY SECURITIES

	Note	**31 December 2018 RMB'000**	1 January 2018 RMB'000	31 December 2017 RMB'000
Financial assets measured at FVOCI (non-recycling)				
– Listed equity securities (Non-trading propose)	(i),(ii)	**258,680**	461,409	–
Available-for-sale equity securities	(ii)			
– Listed equity securities		**–**	–	461,409

Note (i): Financial assets measured at FVOCI/available-for-sale equity securities held by the Group are shares in Anhui Xinli Finance Co., Ltd which is listed on the Shanghai Stock Exchange ("SSE"). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2018.

Note (ii): Available-for-sale equity securities were reclassified to financial assets measured at FVOCI (non-recycling) upon the initial application IFRS 9 at 1 January 2018 (see note 2 (c)(i)).

23 INVENTORIES

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Raw materials	**3,001,274**	2,314,169
Work in progress	**276,731**	226,050
Finished goods	**2,355,588**	1,837,342
Spare parts	**389,124**	327,639
	6,022,717	4,705,200

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 INVENTORIES (CONTINUED)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount of inventories sold	**81,061,621**	48,198,704
Write down of inventories	**6,702**	–
	81,068,323	48,198,704

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

24 ASSETS HELD FOR SALE

In October 2018, the Group committed to a plan to sell part of land and certain property, plant and equipment. Accordingly, those assets are presented as a disposal group held for sale. As at 31 December 2018, the carrying amount of the disposal group is RMB9,811,000, which is lower than the fair value less costs to sell of RMB13,271,000. Efforts to sell the disposal group have started and a sale is expected to be completed by June 2019.

In December 2018, the Group committed to a plan to sell part of land and certain property, plant and equipment. Accordingly, those assets are presented as a disposal group held for sale. As at 31 December 2018, the carrying amount of the disposal group is RMB52,829,000, which is lower than the fair value less costs to sell of RMB66,920,000. The sale was completed in January 2019.

At 31 December 2018, the disposal group was stated at carrying amount and comprised the following assets.

	31 December 2018 RMB'000
Property, plant and equipment	**51,104**
Lease prepayments	**11,536**
Assets held for sale	**62,640**

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 and 1 January 2018 Note (i) RMB'000
Trade debtors	**1,237,501**	1,061,397
Less: loss allowance for doubtful debts	**(10,320)**	(8,982)
	1,227,181	1,052,415
Bank acceptance notes	**13,093,836**	11,080,411
Commercial acceptance notes	**40,401**	46,932
	14,361,418	12,179,758

Note (i): No additional ECLs on trade debtors and bills receivable are recognised (see note 2(c)(i)) upon the adoption of IFRS9.

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

(a) Ageing analysis

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year	**14,358,735**	12,179,758
1 to 2 years	**2,683**	–
2 to 3 years	**–**	–
More than 3 years	**–**	–
	14,361,418	12,179,758

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

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. Bills receivable are due within 1 year from the date of issuance.

Further details on the Group's credit policy are set out in note 38 (a).

(b) Bank acceptance notes

As at 31 December 2018, the Group endorsed the undue bank acceptance notes of RMB8,794,473,000 (2017: RMB1,741,114,000) to its suppliers to settle trade payables of the same amounts and derecognised these bills 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 bills 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 2018, the maximum exposure to loss from its continuous involvement represents the amounts of bills receivable of RMB8,794,473,000 (2017: RMB1,741,114,000), which the Group endorsed to its suppliers. The endorsed undue bills 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 bills receivable.

As at 31 December 2018, the undue bills receivable of RMB3,284,639,000 (2017: RMB1,759,588,000) 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 bills receivable and trade payables approximate its fair values. All these undue bills receivable were due within 1 year.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

26 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Purchase prepayments	**2,096,906**	772,807
Current portion of loans and receivables (note 21)	**110,000**	129,229
Value-added tax recoverable and other tax prepayment	**354,623**	356,647
Interest receivable	**294,017**	158,913
Wealth management product issued by bank and investment income receivable*	**10,123,877**	2,024,197
Other receivables	**798,604**	669,173
	13,778,027	4,110,966

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

* As at 31 December 2018, the balance represents investments in short-term wealth management products issued by banks. The principal amounts of these products are RMB10,000,000,000 in total, with interest rates ranging from 4.00% to 4.85% per annum (2017: RMB2,000,000,000 with a fixed interest rate of 4.60% per annum). The principal amounts of these wealth management products and the related investment income will be received in 2019.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Amounts due from:		
Papua Cement	**47,331**	59,340
Conch Kawasaki Equipment	**81,802**	35,282
Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院	**14,748**	30,746
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	**36,933**	28,842
Myanmar Conch	**26,310**	21,060
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	**23,964**	17,023
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	**20,517**	7,429
Xiangshan Cement and its subsidiaries	**7,125**	5,986
Chengli Construction Material	**4,132**	5,249
Other related parties	**20,627**	8,702
	283,489	219,659

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	31 December 2018 RMB'000	31 December 2017 RMB'000
Amounts due to:		
Conch Kawasaki Equipment	**52,702**	51,813
CK Equipment	**82,370**	97,234
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	**18,597**	22,412
Papua Cement	**15,532**	13,481
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information Engineering Company") 安徽海螺信息技術工程有限公司	**25,985**	4,646
CK Engineering and its subsidiaries	**41,936**	4,157
Conch Design Institute	**5,228**	1,054
Other related parties	**30,878**	1,712
	273,228	196,509

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 41. 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:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank deposits with maturity within three months	**2,548,156**	5,500,000
Cash at bank and on hand	**7,309,516**	4,928,932
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	**9,857,672**	10,428,932

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	2018 RMB'000	2017 RMB'000
Profit before taxation		**39,675,319**	21,274,880
Adjustments for:			
Depreciation of investment properties, intangible assets and other property, plant and equipment	7(c)	**4,647,299**	4,590,278
Impairment loss on trade receivables, prepayments and other receivables	7(c)	**2,432**	–
Impairment loss on inventories	7(c)	**6,702**	–
Impairment loss on property, plant and equipment	7(c)	**200,289**	–
Reversal of impairment loss on trade and other receivables	7(c)	**–**	(12)
Amortisation of interest in leasehold land held for own use under operating leases	7(c)	**131,005**	124,320
Amortisation of intangible assets	7(c)	**175,109**	118,578
Finance costs	7(a)	**483,382**	683,988
Interest income	6	**(1,076,546)**	(643,830)
Share of profits of associates		**(230,767)**	(111,827)
Share of profits of joint ventures		**(205,919)**	(2,278)
Net loss/(gain) on disposal of property, plant and equipment and lease prepayments	6	**54,185**	(41,240)
Net realised and unrealised gain on derivative financial instruments	6	**(22,834)**	(2,307)
Net gain on disposal of available-for-sale equity securities	6	**–**	(1,556,793)
Net gain on disposal of interest in an associate	6	**–**	(303,104)
Net gain on maturity of wealth management products issued by bank	6	**(198,104)**	(44,910)
Negative goodwill		**–**	(491)
Dividend income from listed securities	6	**–**	(1,817)
Before changes in working capital carried forward		**43,641,552**	24,083,435

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 (continued)

	2018 RMB'000	2017 RMB'000
Before changes in working capital carried forward	**43,641,552**	24,083,435
Changes in working capital:		
Increase in inventories	**(1,238,757)**	(139,539)
Increase in trade receivables	**(657,533)**	(4,364,519)
Increase in prepayments and other receivables	**(1,418,668)**	(155,874)
Decrease/(increase) in amounts due from related parties	**691**	(35,176)
Decrease in trade payables	**(200,729)**	(277,962)
Increase in contract liabilities	**3,312,151**	–
(Decreased)/increase in other payables and accruals	**(487,752)**	1,854,192
Increase in amounts due to related parties	**35,822**	2,832
(Decrease)/increase in deferred income	**(14,364)**	44,519
Cash generated from operations	**42,972,413**	21,011,908

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 32&33)	Unsecured debentures RMB'000 (Notes 32&33)	Other payables and accruals RMB'000 (Note 30)	Total RMB'000
At 1 January 2018	7,981,252	5,997,766	8,423,956	22,402,974
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings	1,389,385	–	–	1,389,385
Repayment of bank loans and other borrowings	(2,732,265)	(2,500,000)	–	(5,232,265)
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	–	–	(352,322)	(352,322)
Other payments related to financing activities	–	–	(35,059)	(35,059)
Total changes from financing cash flows	(1,342,880)	(2,500,000)	(387,381)	(4,230,261)
Exchange adjustments	70,610	–	–	70,610
Other changes:				
Changes arising from operating and investing activities	25,770	984	(189,896)	(163,142)
Dividends declared to non-controlling interests of non-wholly owned subsidiaries	–	–	94,257	94,257
Total other changes	25,770	984	(95,639)	(68,885)
At 31 December 2018	6,734,752	3,498,750	7,940,936	18,174,438

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 (continued)

	Bank loans and other borrowings RMB'000 (Notes 32&33)	Unsecured debentures RMB'000 (Notes 32&33)	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:				
Changes 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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade payables	**6,341,351**	4,967,098

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year (inclusive)	**6,330,341**	4,957,436
Between 1 year and 2 years (inclusive)	**4,938**	2,335
Between 2 years and 3 years (inclusive)	**622**	1,676
Over 3 years	**5,450**	5,651
	6,341,351	4,967,098

30 OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Construction cost payables	**943,620**	1,211,296	1,211,296
Receipts in advance from customers (note)	**–**	–	2,143,500
Deposits from suppliers	**999,345**	864,619	864,619
Retention monies	**329,678**	356,708	356,708
Expense accruals	**621,109**	255,285	255,285
Value-added tax payables	**1,968,398**	954,689	644,508
Other taxes payables	**1,123,134**	963,911	963,911
Interest payable	**44,660**	118,392	118,392
Dividend payable	**–**	258,065	258,065
Payables for acquisition of subsidiaries	**547,431**	433,081	433,081
Payroll payables	**1,246,100**	1,030,652	1,030,652
Other payables	**117,461**	143,939	143,939
	7,940,936	6,590,637	8,423,956

Note: As a result of the adoption of IFRS 15, receipts in advance from customers are included in contract liabilities and disclosed in note 31 (see note 2(c)(ii)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

31 CONTRACT LIABILITIES

	Notes	**31 December 2018 RMB'000**	1 January 2018 Note (i) RMB'000	31 December 2017 Note (i) RMB'000
Contract liabilities				
Receipts in advance from customers				
– For purchase clinker and cement products	(ii)	**3,312,151**	1,833,319	–
		3,312,151	1,833,319	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "other payables and accruals" (note 30) to contract liabilities (see note 2(c)(ii)).

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	**1,833,319**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(1,833,319)**
Net increase in contract liabilities as a result of cash receipts in advance from customers for purchase of clinker and cement products (net off the contract liabilities as a result of recognising revenue during the year)	**3,312,151**
Balance at 31 December	**3,312,151**

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

32 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank loans (note 34)		
– unsecured	**4,128,170**	3,120,771
Unsecured debentures (note 33(b)(i))	**–**	2,499,305
	4,128,170	5,620,076

33 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank loans (note 34)		
– unsecured	**2,606,582**	4,860,481
Unsecured debentures (note 33(b)(i))	**3,498,750**	3,498,461
	6,105,332	8,358,942

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)

33 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 of RMB2,500,000,000 with a maturity period of 7 years ("7-year bond"). The 7-year bond carried fixed annual interest rate of 5.20%, which will be repaid annually. The 7-year bond was fully repaid on 23 May 2018.

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 carries fixed annual interest rate of 4.89% and 5.10% respectively, which is payable annually. The principal of the 5-year bond was repaid on 7 November 2017 and the 10-year bond will be fully repayable on 7 November 2022.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

34 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year or on demand (note 32)	**4,128,170**	3,120,771
After 1 year but within 2 years	**779,710**	2,616,794
After 2 years but within 5 years	**1,266,955**	1,590,715
After 5 years	**559,917**	652,972
Total non-current bank loans (note 33(a))	**2,606,582**	4,860,481
	6,734,752	7,981,252

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

34 BANK LOANS (CONITNUED)

As at 31 December 2018, unsecured bank loans of the Group totalling RMB75,000,000 (2017: RMB170,000,000) were guaranteed by Guizhou Panjiang Investment Holdings ("Panjiang Investment"). Panjiang Investment was a non-controlling shareholder of the Group's subsidiary before 21 August 2017.

As at 31 December 2018, total available banking facilities of the Group amounted to RMB135,389,793,000 (2017: RMB123,246,789,000). These facilities were utilised as bank loans to the extent of RMB6,734,752,000 (2017: RMB7,981,252,000) as at 31 December 2018.

35 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 **RMB'000**	2017 RMB'000
Balance at 1 January	**1,857,619**	522,036
Provision for the year (note 8(a))	**9,147,004**	4,984,463
Tax paid during the year	**(6,913,447)**	(3,648,880)
Balance at 31 December	**4,091,176**	1,857,619
Representing:		
Tax recoverable	**(64,949)**	(49,045)
Tax payable	**4,156,125**	1,906,664
	4,091,176	1,857,619

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

35 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:

	Credit loss allowances and impairment RMB'000	Unrealised profits (Note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Deferred deductible expense RMB'000	Depreciation of property, plant and equipment RMB'000	Deferred income RMB'000	Fair value change of financial asset measured at FVOCI/available-for-sale equity securities RMB'000	Fair value change of derivative financial instruments RMB'000	Total RMB'000
Deferred tax arising from:										
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)
At 1 January 2018	(95,954)	(335,090)	258,442	(184,081)	-	5,300	(65,116)	104,050	577	(311,872)
Charged/(credited) to income statement	(42,755)	(46,049)	(26,299)	(2,529)	(163,333)	142,803	(21,369)	-	5,708	(153,823)
Credited to reserves	-	-	-	-	-	-	-	(50,682)	-	(50,682)
Arising from acquisition	-	-	28,818	-	-	-	-	-	-	28,818
At 31 December 2018	(138,709)	(381,139)	260,961	(186,610)	(163,333)	148,103	(86,485)	53,368	6,285	(487,559)

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)

35 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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**(953,856)**	(677,819)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**466,297**	365,947
	(487,559)	(311,872)

36 DEFERRED INCOME

	2018 RMB'000	2017 RMB'000
At 1 January	**614,099**	569,580
Government grants received (note)	**94,847**	113,732
Recognised in the consolidated statement of profit or loss	**(74,367)**	(69,213)
At 31 December	**634,579**	614,099

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 grants 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)

37 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 (recycling) RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000
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	37(b)	–	–	–	–	–	–	(2,649,651)	(2,649,651)
Balance at 31 December 2017 (note)		5,299,303	16,579,355	217,270	2,649,654	312,150	–	56,395,062	81,452,794
Impact on initial application of IFRS9		–	–	–	–	(312,150)	312,150	–	–
Balance at 1 January 2018		5,299,303	16,579,355	217,270	2,649,654	–	312,150	56,395,062	81,452,794
Changes in equity for 2018:									
Total comprehensive income		–	–	–	–	–	(152,047)	27,465,554	27,313,507
Dividends approved in respect of the previous year	37(b)	–	–	–	–	–	–	(6,359,163)	(6,359,163)
Balance at 31 December 2018		5,299,303	16,579,355	217,270	2,649,654	–	160,103	77,501,453	102,407,138

Note: The Group, including the Company, has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2018 **RMB'000**	2017 RMB'000
Final dividend proposed after the statement of financial position date of RMB1.69 (2017: RMB1.20) per ordinary share	**8,955,821**	6,359,163

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:*

	2018 **RMB'000**	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB1.2 (2017: RMB0.5) per ordinary share	**6,359,163**	2,649,651

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	31 December 2018		31 December 2017	
	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 "HKD") 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 HKD8.20 per share in November 2003.

Notes to the financial statements (continued)

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37 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)

37 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 A 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 HKD.

Notes to the financial statements (continued)

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37 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)

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37 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 2018, 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 2018, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iv) Fair value reserve

Fair value reserve (recycling)

Prior to 1 January 2018, the fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with IAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of IFRS 9 at 1 January 2018 (see note 2(c)(i)).

Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(g)).

(v) Retained earnings

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) CAS and regulations, and (ii) IFRSs.

Notes to the financial statements (continued)

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37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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.

During 2018, the Group's strategy, which was unchanged from 2017, 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.

Notes to the financial statements (continued)

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37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2018 and 2017 was as follows:

	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Current liability:			
Bank loans and other borrowings	32	**4,128,170**	5,620,076
Non-current liability:			
Bank loans and other borrowings	33(a)	**6,105,332**	8,358,942
Total debt		**10,233,502**	13,979,018
Add: Proposed dividends	37(b)	**8,955,821**	6,359,163
Less: Cash at bank and on hand	28(a)	**(7,309,516)**	(4,928,932)
Bank deposits with maturity within three months	28(a)	**(2,548,156)**	(5,500,000)
Adjusted net debt		**9,331,651**	9,909,249
Total equity attributable to equity shareholders of the Company		**112,476,588**	89,149,949
Less: Proposed dividends	37(b)	**(8,955,821)**	(6,359,163)
Adjusted capital		**103,520,768**	82,790,786
Adjusted net debt-to-capital ratio		**9.01%**	11.97%

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)

38 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 40, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 40.

Trade receivables and contract assets

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 2018: 25.74% (2017: 27.36%) of the total trade receivables was due from the Group's five largest customers.

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. 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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0%	1,134,793	–
1 – 3 months past due	0%	68,735	–
3 – 6 months past due	5%	9,299	465
6 – 12 months past due	10%	2,018	202
12 – 24 months past due	20%	3,354	671
More than 24 months past due	100%	8,982	8,982
		1,227,181	10,320

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(o)(i)(B) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB8,982,000 were determined to be impaired. The aging analysis of trade receivables that were not considered to be impaired was as follows:

	31 December 2017 RMB'000
Neither past due nor impaired	1,049,586
1 – 3 months past due	2,829
3 – 6 months past due	–
6 – 12 months past due	–
12 – 24 months past due	–
More than 24 months past due	–
	1,052,415

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Comparative information under IAS 39 (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Balance at 31 December 2017 under IAS 39	**8,982**	–
Impact on initial application of IFRS 9 (note 2(c)(i))	**–**	–
Balance at 1 January	**8,982**	8,982
Amounts written off during the year	**–**	–
Impairment losses recognised during the year	**1,338**	–
Balance at 31 December	**10,320**	8,982

(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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

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:

	2018 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	6,341,351	–	–	–	6,341,351	6,341,351
Other payables and accruals	3,603,303	–	–	–	3,603,303	3,603,303
Bank loans and other borrowings	4,503,087	805,481	5,506,359	614,157	11,429,084	10,233,502
Amounts due to related parties	272,277	–	–	–	272,277	272,277
	14,720,018	805,481	5,506,359	614,157	21,646,015	20,450,433

	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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 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.

	2018 Interest rate %	**2018** RMB'000	2017 Interest rate %	2017 RMB'000
Net fixed rate borrowings:				
Bank loans	**1.97% ~ 8.80%**	**3,134,463**	1.97% ~ 8.80%	2,937,758
Unsecured debentures	**5.10%**	**3,498,750**	5.10% ~ 5.20%	5,997,766
Less: Loans and receivables	**4.35% ~ 6.00%**	**(32,960)**	4.35% ~ 6.00%	(57,960)
Prepayments and other receivables	**4.00% ~ 4.85%**	**(10,060,000)**	4.35% ~ 4.75%	(2,067,000)
Restricted cash deposits	**0.46% ~ 3.85%**	**(177,588)**	0.30% ~ 3.85%	(251,483)
Bank deposits with maturity over three months	**3.30% ~ 5.00%**	**(27,503,597)**	4.50% ~ 4.92%	(14,000,000)
Cash and cash equivalents	**3.73% ~ 5.55%**	**(2,548,156)**	4.40% ~ 4.55%	(5,500,000)
		(33,689,088)		(12,940,919)
Variable rate borrowings:				
Bank loans	**3.48% ~ 4.67%**	**3,600,290**	2.16% ~ 4.41%	5,043,494
Less: Restricted cash deposits	**0.30% ~ 3.30%**	**(80,250)**	0.30% ~ 3.30%	(79,364)
Cash and cash equivalents	**0.06% ~ 7.20%**	**(7,309,158)**	0.02% ~ 6.00%	(4,928,630)
		(3,789,118)		35,500
Total		**(37,478,206)**		(12,905,419)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB28,885,000 (2017: increased/decreased RMB1,093,000) 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 2017.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, bank loans and other borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The 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.

(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"):

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in RMB'000)							
	2018				2017			
	USD	**EUR**	**HKD**	**RMB**	USD	EUR	HKD	RMB
The functional currency is RMB:								
Trade receivables	**7,065**	**-**	**6,390**	**-**	10,712	–	25,926	–
Trade payables	**(115,619)**	**-**	**-**	**-**	(506)	(2,405)	–	–
Cash and cash equivalents	**56,562**	**-**	**8,990**	**-**	524,875	–	2,618	–
The functional currency is Indonesia Rupiah:								
Cash and cash equivalents	**45,315**	**-**	**-**	**58,303**	61,357	–	–	40,126
Bank loans and other borrowings	**(782,404)**	**-**	**-**	**(1,807,475)**	(1,486,529)	–	–	(1,838,125)
Trade payables	**(305)**	**-**	**-**	**-**	–	–	–	(700)
The functional currency is Lao Kip:								
Cash and cash equivalents	**2,656**	**-**	**-**	**15,691**	10,247	–	–	–
Trade receivables	**-**	**-**	**-**	**4,318**	–	–	–	3,000
Trade payables	**-**	**-**	**-**	**31**	–	–	–	–
The functional currency is Russian Ruble:								
Cash and cash equivalents	**-**	**-**	**-**	**-**	1,699	–	–	–
The functional currency is Myanmar Kyat:								
Cash and cash equivalents	**30,440**	**-**	**-**	**-**	2,293	–	–	–
The function currency is Uzbekistani Som:								
Cash and cash equivalents	**18,920**	**-**	**-**	**-**	–	–	–	–
Gross exposure arising from recognised assets and liabilities	**(737,370)**	**-**	**15,380**	**(1,729,132)**	(875,852)	(2,405)	28,544	(1,795,699)
Notional amounts of swap contract	**514,740**	**-**	**-**	**-**	411,654	–	–	–
Net exposure arising from recognised assets and liabilities	**(222,630)**	**-**	**15,380**	**(1,729,132)**	(464,198)	(2,405)	28,544	(1,795,699)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 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.

	2018		2017	
	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%**	**(1,670)**	1%	(3,481)
EUR	**1%**	**–**	1%	(18)
HKD	**1%**	**115**	1%	214
RMB	**1%**	**(12,969)**	1%	(13,468)

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 2017.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading purpose (see Note 22).

The Group mitigates 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 investments to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investments 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 held for non-trading purpose, which are then monitored and managed under these classifications respectively.

Listed investments that are held for non-trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

At 31 December 2018, it is estimated that an increase/(decrease) of 1% (2017: 1%) in the relevant stock price (for listed investments), with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

		2018 Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000		2017 Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000
Change in quoted share price						
Increase	**1%**	**–**	**1,940**	1%	–	3,461
Decrease	**(1%)**	**–**	**(1,940)**	(1%)	–	(3,461)

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 non-trading equity 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 2017.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 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 2018 using		
	Fair value at 31 December 2018	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	25,140	–	25,140	–
Financial assets measured at FVOCI:				
– Listed equity securities	258,680	258,680	–	–
	283,820	258,680	25,140	–

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 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 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 equity securities	461,409	461,409	–	–
	463,716	461,409	2,307	–

Note: Available-for-sale financial assets were reclassified to financial assets measured at FVOCI (non-recycling) upon the adoption of IFRS 9 at 1 January 2018 (see note 2(c)(i)).

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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)

38 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 2018 and 2017.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed equity 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 2018.

(ii) Derivatives

The fair value of cross-currency swap contracts are determined using option model and observable inputs.

(iii) Interest-bearing loans and other borrowings/loans and receivables

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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(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 2018 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2018	2017
Bank loans and other borrowings	**1.97% ~ 8.80%**	1.97% ~ 8.80%
Loans and receivables	**4.35%**	4.35%

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 COMMITMENTS

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

	2018 RMB'000	2017 RMB'000
Contracted for	**1,089,377**	972,831
Authorised but not contracted for	**1,426,958**	1,829,774
	2,516,335	2,802,605

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

	2018 RMB'000	2017 RMB'000
Within 1 year (inclusive)	**19,735**	3,045
After 1 year but within 5 years (inclusive)	**38,000**	10,318
After 5 years	**20,971**	7,748
Total	**78,706**	21,111

40 CONTINGENT LIABILITIES

At 31 December 2018, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB6,722,287,000 (2017: RMB8,234,435,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB850,896,000 (2017: RMB716,876,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2018, outstanding letters of credit issued by the Group amounted to RMB92,291,000 (2017: RMB48,523,000). The directors do not consider it probable that the outstanding letters of credit issued would cause additional financial risk.

At 31 December 2018, the Group has issued guarantees to banking facilities of its related parties, Papua Cement, Myanmar Conch and Xiangshan Cement, amounting to RMB995,992,000 in aggregate (2017: RMB1,038,413,000). These facilities were utilised to the extent of RMB995,992,000 (2017: RMB1,038,413,000) as at 31 December 2018. The directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and joint ventures of the Group as disclosed in notes 19 and 20 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
China Conch Venture Holdings Limited ("China Conch Venture") 中國海螺創業控股有限公司	Major shareholder of Conch Holdings
Conch Profiles and Science Co., Ltd. and its subsidiaries ("Conch Profiles and Science and its subsidiaries") 蕪湖海螺型材科技股份有限公司及其附屬公司	Subsidiary of Conch Holdings
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 Information Engineering Company 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Conch New Materials and its subsidiaries 安徽海螺新材料科技有限公司及其附屬公司	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
Yangzhou Haichang Port Industrial Co., Ltd. 揚州海昌港務實業有限責任公司	Subsidiary of China Conch Venture

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Anhui Conch Venture New Energy-saving Construction Material Co., Ltd. ("Conch Venture Green") 安徽海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Bozhou Conch Venture New Energy-saving Construction 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
WH Electric Conch Clean Energy ("Clean Energy") 蕪湖市國家電投海螺清潔能源有限公司	Joint venture of the subsidiary of Conch Holdings
Conch Kawasaki Equipment 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Papua Cement 印尼巴布亞水泥有限公司	Joint venture of the Company
Sino-Myanmar International 中緬 (蕪湖) 國際貿易有限公司	Joint venture of the Company
Myanmar Conch 緬甸海螺水泥有限公司	Joint venture of the Company
Yangon Conch 緬甸海螺 (仰光) 水泥有限公司	Joint venture of the Company
Xiangshan Cement 淮北礦業相山水泥有限責任公司	Joint venture of the Company
King Bridge Cement 安徽朱家橋水泥有限公司	Associate of the Company
West Cement 中国西部水泥有限公司	Associate of the Company
Chengli Construction Material 建德市成利建材有限公司	Under the trust of the Group

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

The Group has entered into the following material related party transactions:

(i) Transactions with Conch Holdings

	2018	2017
	RMB'000	RMB'000
Receiving services and purchase of goods	**33,310**	4,811
Provision of services and sales of goods	**1,708**	1,720
Sales of property, plant and equipment	**–**	1,961

As at 31 December 2018, bank loans and other borrowings amounting to RMB3,500,000,000 (31 December 2017: RMB6,000,000,000) are guaranteed by Conch Holdings.

(ii) Transactions with other related parties

	2018	2017
	RMB'000	RMB'000
Sales of goods	**362,378**	288,149
Sales of property, plant and equipment	**–**	11,830
Sales of assets	**12,825**	–
Provision of services	**90,288**	76,726
Purchase of property, plant and equipment	**407,760**	409,010
Purchase of materials	**879,167**	502,757
Purchase of assets	**30,327**	–
Receiving services	**316,549**	207,941
Interest on loans	**1,701**	1,701

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(iii) Loan guarantees provided to other related parties

	2018 RMB'000	2017 RMB'000
Papua Cement	**918,931**	752,413
Sino-Myanmar International	**–**	246,000
Xiangshan Cement	**40,000**	40,000
Myanmar Conch	**37,061**	–
	995,992	1,038,413

(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:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**12,524**	13,558
Post-employment benefits	**431**	418
	12,955	13,976

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 Information Engineering Company, WH Conch Hotel and Conch New Materials and its subsidiaries above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. 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)

42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		31 December 2018		31 December 2017	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
– Investment property			**21,025**		21,961
– Other property, plant and equipment			**1,114,250**		963,458
– Lease prepayments			**196,365**		203,473
Intangible assets			**33,595**		47,921
Investments in subsidiaries	18		**40,799,527**		39,482,246
Interest in associates			**49,671**		49,671
Interest in joint ventures			**1,156,012**		1,156,012
Loans and receivables			**5,118,293**		3,102,000
Financial assets measured at FVOCI	22		**258,680**		–
Available-for-sale equity securities	22		**–**		461,409
			48,747,418		45,488,151
Current assets					
Inventories		**211,664**		206,400	
Trade receivables		**294,888**		357,211	
Prepayments and other receivables		**12,779,545**		6,168,808	
Amounts due from subsidiaries		**20,826,050**		21,347,503	
Amounts due from related parties		**144,587**		127,130	
Restricted cash deposits		**–**		115,319	
Bank deposits with maturity over three months		**27,500,000**		14,000,000	
Cash and cash equivalents		**5,828,259**		7,527,298	
		67,584,993		49,849,669	

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

42 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**31 December 2018**		31 December 2017	
		RMB'000	**RMB'000**	RMB'000	RMB'000
Current liabilities					
Trade payables		**137,841**		204,570	
Other payables and accruals		**917,694**		863,361	
Contract liabilities		**37,082**		–	
Bank loans and other borrowings		**97,500**		2,500,305	
Amounts due to subsidiaries		**8,847,722**		6,337,885	
Amounts due to related parties		**71,371**		39,441	
Income tax payable		**241,927**		224,043	
		10,351,137		10,169,605	
Net current assets			**57,233,856**		39,680,064
Total assets less current liabilities			**105,981,274**		85,168,215
Non-current liabilities					
Bank loans and other borrowings		**3,498,750**		3,595,961	
Deferred income		**15,851**		17,832	
Deferred tax liabilities		**59,535**		101,628	
			3,574,136		3,715,421
NET ASSETS			**102,407,138**		81,452,794
CAPITAL AND RESERVES	37(a)				
Share capital			**5,299,303**		5,299,303
Reserves			**97,107,835**		76,153,491
TOTAL EQUITY			**102,407,138**		81,452,794

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 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 37(b).

44 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

45 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2018, 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)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IFRS 9, *Prepayment features with negative compensation*	1 January 2019
Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*	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*	To be determined
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17, *Insurance Contracts*	1 January 2021

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (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 IFRS 16 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 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections until the standard is initially applied in that financial report.

IFRS 16, *Leases*

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group has elected to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 39(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB78,706,000, the majority of which is payable either within 1 year after the reporting date or between 1 to 5 years. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB64,784,000 and RMB64,784,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material to the consolidated financial statements. However, the expected changes in accounting policies as described above may have a material impact on the Group's financial statements from 2019 onwards.

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
21 March 2019

14. Written Confirmation of the Directors and Senior Management on the Annual Report of 2018

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 2018 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 2018 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audit report of Anhui Conch Cement Company Limited for year 2018 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 2018 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	Li Qunfeng	Deputy general manager
Li Xiaobo	Deputy general manager	Ke Qiubi	Deputy general manager
Li Leyi	Chief engineer of technical art	Yu Shui	Assistant to general manager and Secretary to the Board
Wu Tiejun	Assistant to general manager		

21 March 2019