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

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

遠東集團
FAR EASTERN GROUP
Since 1949
Together For a Promising Future
共創美好未來 你我攜手同行

ANNUAL REPORT 2019

CONTENTS

2	**Corporate Information**	
3	**Financial Highlights**	
4	**Chairman's Statement**	
8	**Vice Chairman's Statement**	
10	**CEO's Review**	
14	**Management Discussion and Analysis**	
24	**Corporate Governance Report**	
33	**Directors and Senior Management**	
38	**Directors' Report**	
47	**Independent Auditor's Report**	
	Condensed Consolidated Financial Statements	
	51	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
	52	Condensed Consolidated Statement of Financial Position
	54	Condensed Consolidated Statement of Changes in Equity
	55	Condensed Consolidated Statement of Cash Flows
	57	Notes to the Consolidated Financial Statements
142	**Financial Summary**	

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. HO Siu Pik

AUTHORIZED REPRESENTATIVES

Dr. WU, Chung-lih
Ms. HO Siu Pik

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF INDEPENDENCE COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

HONG KONG LEGAL ADVISER

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

743

COMPANY WEBSITE

www.achc.com.cn

CONTACT DETAILS

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

Financial Highlights

	Notes	2019 RMB'000	2018 RMB'000
Revenue		**12,608,716**	11,330,347
Gross profit		**5,319,126**	4,386,415
Profit for the year		**3,230,096**	2,500,790
Profit attributable to owners of the Company		**3,147,340**	2,420,839
Gross profit margin		**42%**	39%
Earning per share			
— Basic		**RMB2.009**	RMB1.545
Total assets		**23,985,754**	20,722,346
Net assets		**14,642,994**	12,442,346
Liquidity and Gearing			
Current ratio	*1*	**1.64**	2.58
Quick ratio	*2*	**1.55**	2.40
Gearing ratio	*3*	**0.39**	0.40

Notes:

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

CHAIRMAN'S STATEMENT

HSU, Shu-tong
Chairman

Chairman's Statement

To our shareholders:

The intensified international trade conflict in 2019 had caused a slowdown in global economic growth. China's economy was affected, and its annual GDP growth rate further decelerated, sliding to 6.1%. Correlated with cement demand, infrastructure investment growth reached 3.8%, maintaining its basic growth momentum; on the other hand, property development investment was relatively stable, with a year-on-year growth of nearly 10%. With the support from the infrastructure and property sectors, China's cement market displayed satisfactory performance in 2019, with cement output increasing by 6.1% to 2.33 billion tonnes for the whole year, while the average price of cement had also risen from that of 2018. As a result, the cement industry as a whole achieved satisfactory results, with industry revenue increasing by 12% year on year and reaching RMB1 trillion for the first time, and industry profits increasing by 19.6% year on year and reaching RMB186.7 billion, both of which hit record highs.

In recent years, China's cement industry has gradually phased out non-compliant obsolete production capacity, deepened supply-side structural reform, strictly controlled newly added capacity through capacity swaps, executed off-peak season production to manage operation of cement kilns in an orderly manner and completely abolished 32.5 portland composite cement. These measures have not only improved the overall quality of cement products, but also contributed to the healthy growth of clinker demand. Air pollution prevention and control remains the top priority of the industry. Environmental protection policies such as energy saving and emission reduction, emission reduction under emergency response system, regulation of speed on roads, rectification of wharfs along the Yangtze River, and green mine construction have been introduced successively. After the promulgation of differential off-peak season production and environmental rating management, cement companies are encouraged to increase investments in environmental protection, actively achieve ultra-low emissions, and demonstrate their determination to win the battle for blue skies.

In response to major global trends, the cement industry has begun its transformation and upgrading, creating a completely new mode of operation. Emerging technologies such as artificial intelligence, big data, the Internet of Things and cloud computing are booming. The process of Industry 4.0 is accelerating, commencing the connection of supply chain, production, sales, customer service and other aspects of the process through online platforms. Through virtual and physical integration, top-notched companies boost production, sales and services, and even develop a new type of business model. Corporate missions must keep up with the times, while taking into account value creation with respect to the economic, social and environmental aspects. In particular, the issue of climate change is aggravating. Global concerns for environmental protection are also rising. Cement companies had previously focused on playing a role in driving economic development. Today, we must reverse our thinking, introduce new technologies to achieve low energy consumption and low emissions, aim at becoming an advanced and green enterprise, take into account social needs to develop a circular economy and establish a mutual prosperity model of sustainable operation.

In the face of rising concentration of the China's cement industry and intensified competition among enterprises, Asia Cement (China) possesses excellent innovation capabilities. In view of the changes in the external environment and industrial structure, business transformation is a priority. For the next five years, the Group will work towards achieving the objectives of expanding production capacity, optimising production lines, extending the industrial chain, upgrading with digitalization, and smart manufacturing, etc. It will also strengthen human resources to foster the next-generation employees with new thinking and new skills to cope with the challenges of the new economy. As one of the top 10 cement and clinker enterprises in China, the Company has always adhered to "three highs and one low" business strategy, namely high quality, high efficiency, high environmental-friendly and low-cost, and has been intensifying development of the three core markets of southeastern, central, and southwestern China. In 2019, sales grew steadily, while the selling price was at a healthy level. Asia Cement (China) not only accomplished outstanding business results, but also fulfilled its corporate social responsibility. It had increased investment in cement kilns to process waste, helping local governments to solve urban and industrial waste problems, and becoming an enterprise that prospers with the society through its advanced technology, premium quality and environmentally friendliness.

Looking into 2020, the global economy will experience disturbances such as US-China trade dispute, geopolitical tensions, extreme climate events, and the novel coronavirus epidemic, among which, the epidemic has a huge impact on China's economy and may restrain and reduce its economic growth in the short term. Cement production and sales during the first half of the year are thus under great pressure. However, when the outbreak shows signs of declining, commencement of construction is bound to accelerate and cement demand is expected to recover. Infrastructure investment remains a top priority for China in 2020, being the last year of the 13th Five-Year Plan. The property industry will benefit from the regulatory mechanism that stabilises land prices, housing prices and expectations. The demand side will tend to be stable. The promulgation of industrial policies will continue to be conducive to the optimisation of the supply side structural reform. The outlook for the cement market in the second half of the year remains optimistic. Along with the improvement in the industry situation, cement prices will return to a reasonable level. As such, we are confident in the industry's profit performance for the full year.

Hubei Province is an important base for Asia Cement (China) in the central region. The novel coronavirus outbreak remains most severe in the province. On the one hand, we dedicated ourselves to managing internal production and sales, personnel and fund. On the other hand, we worked with local communities, supplying cement to build temporary hospitals, and took the initiative to donate and supply resources to provide full support to battle the epidemic and restore normal life and order. The aforesaid is a manifestation of business dedication and contribution to society of Far Eastern Group, which just celebrated its 70th anniversary. Although the China economy suffers a blow, it is short-lived, and the economy is still on track for a steady growth in the long run. The cement industry will inevitably sustain a healthy and orderly development. The Company will strive to well-prepare itself to achieve stable growth together with the industry, by improving its strategic planning and management in all aspects, meeting customer expectations, enhancing employee capabilities, maintaining integrity with supply chain partners, supporting social prosperity and development, and creating long-term investment value for shareholders, with an aim to become a successful model for cement enterprises in the new era.

VICE CHAIRMAN'S STATEMENT

HSU, Shu-ping
Vice Chairman

In 2019, benefitting from numerous factors including the deepening of supply-side structural reform, the normalization of off-peak season production, the intensification of production restrictions for environmental protection, the strong support from the infrastructure and property sectors, as well as the increase in industry self-discipline awareness, China's cement industry sustained satisfactory growth momentum. The industry profits and Asia Cement (China)'s profits both reached new highs.

Vice Chairman's Statement

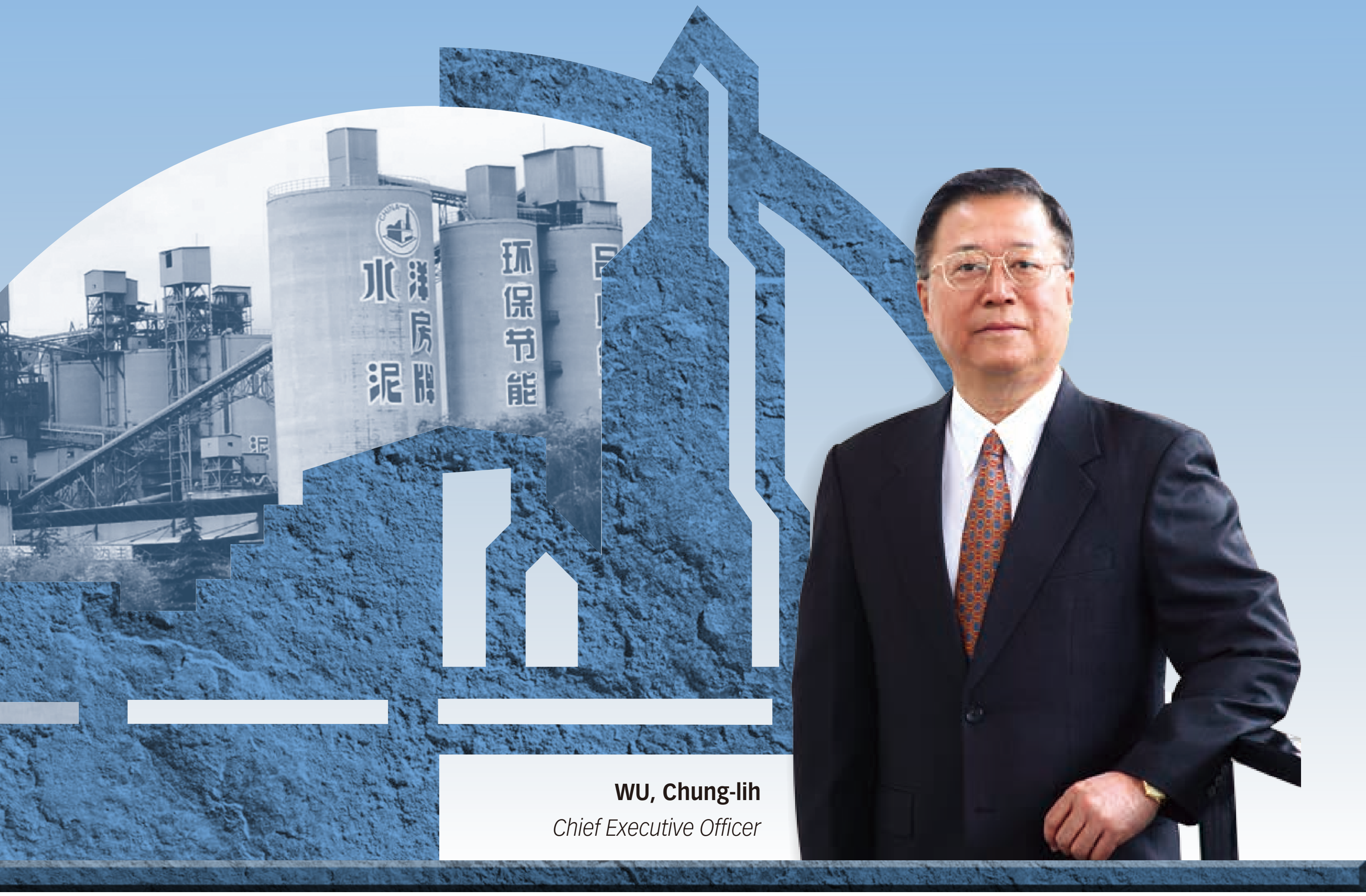
In 2019, Asia Cement (China) continued to push forward with cost reduction, efficiency improvement, management optimization and mechanism innovation. The Group further optimised human resources management by focusing on bringing in a younger management team and defining roles and responsibilities, while pushing forward with the reform on employee performance appraisal and remuneration policy. In terms of sales and marketing, the Group utilised artificial intelligence technology to enhance customer service experience, and made use of the headquarters' platform to systematically analyse sales data to provide guidance on each operational region to flexibly adjust the sales strategies for the core marketplace and non-core market segments, for channel sales and direct sales, for core customers and persuadable customers, and further strengthened the management of accounts receivables and bill receivables to maintain sound financial position. In terms of technological innovation, while improving itself, the Group kept up with the pace of intelligentization of the cement industry by establishing smart factories, increasing predictive maintenance systems, and adopting intelligent systems such as remote video monitoring, shipyard APP port reporting, and ship loading and unloading operation registration, thereby improving production efficiency and achieving "smart production". With respect to environmental protection, the Group not only strictly abided by national laws and regulations, but also fully leveraged its competitive edge to construct green mines, achieve ultra-low emissions, and process waste using kilns, thus fulfilling its corporate social responsibility.

The year 2020 is the last year for the plan for establishing a moderately prosperous society and for the "13th Five-Year Plan". The Central Economic Work Conference at the end of 2019 clearly stated that the country will "promote the 'double upgrade' of industry and consumption". On the one hand, the transformation and upgrading of the manufacturing industry is an inevitable requirement for high-quality economic development. The conference repeatedly mentioned "improving the quality in the manufacturing industry" and "promoting the optimization and upgrading of traditional manufacturing industries". On the other hand, the off-peak season production has been extensively implemented in the cement industry, and off-peak season production has become a normal practice in most regions. Eliminating backward production capacity and increasing environmental protection investments have become a trend. The year 2020 will be the last year to promote off-peak season production in the cement industry, and the cement industry will usher into "post off-peak season production era".

Looking into 2020, with the construction sector heading towards the quality development stage, the cement industry will simultaneously move in the direction of a positive development. The structural optimization of the cement industry will continue. On the demand side, with accelerating infrastructure investments, construction of a strong transport network, urban renewal, and strong resilience of the property sector, it is expected that cement demand will increase slightly. However, the proportion of domestic large-scale cement production lines has been rising steadily, while the total amount of newly added production capacity and the aggregate amount of eliminated production capacity did not match up. The elimination process of excess capacity is still far from over. While the industry's profits continue to increase, the growth rate may decelerate.

In 2020, Asia Cement (China) will continue to improve its work in energy efficiency, environmental protection, safe production, green mines construction, and the prevention and treatment of occupational diseases. In an era of intelligentization, the Group will leverage its competitive edge to actively push forward with smart production basing on big data to further accelerate technological upgrade of Asia Cement (China), with an aim to achieve a breakthrough in the Group's quality development.

CEO'S REVIEW



WU, Chung-lih
Chief Executive Officer

In 2019, the price of cement in China remained at high levels, continuing the trend in the previous year. The average price cement for the full year of 2019 increased, and industry profit hit record high. During the reporting period, property market regulatory policies had been introduced successively across the country, and financial investment regulation and supervision had been tightened. However, benefitting from transportation facilities construction, the implementation of a new round of tax and fee reduction measures, and the counter-cyclical investment strategy at the national level, fixed assets investment, infrastructure investment and property development investment for the year increased over those of the previous year. In 2019, China's cement output reached 2.33 billion tonnes, representing a year-on-year increase of 6.1% (National Bureau of Statistics). The overall market remained stable while making progress in the plateau phase.

CEO's Review

During the reporting period, the Group's 15 kilns were in operation for the entire year. The Group produced 24.84 million tonnes of clinker, the same as the previous year, and 29.52 million tonnes of cement (including slag powder). The total sales volume is the same as that of the previous year, reaching 30.83 million tons, including 28.65 million tonnes of cement, 1.82 million tonnes of clinker and 0.36 million tonnes of slag powder. The Group's cement price increased by RMB38 per tonne from that of the previous year to RMB380 (excluding tax). The unit cost of coal consumption declined from RMB700 per tonne in the previous year to RMB643 per tonne (excluding tax).

The Group's revenue for 2019 amounted to RMB12,608,716,000, representing a year-on-year increase of 11%, with gross operating profit and net operating profit amounting to RMB5,319,126,000 and RMB4,443,163,000, representing year-on-year increases of 21% and 23% respectively. The operating gross profit margin and net profit margin were 42.2% and 35.2% respectively, representing year-on-year increases of 3.5 percentage points and 3.2 percentage points.

2019 is the 70th anniversary of Far Eastern Group, the Group's parent company. To realize the vision of "A New Far Eastern Beyond 70", the Group, in the face of the new challenges brought forth by industry development, attempted to make breakthroughs in resource integration, green development and intelligent innovation. Through the innovation and upgrading of business model, organizational structure, technology research and development, the Group built its core competitive advantages and strived to work towards the next 70 years. Our efforts and improvements are reflected in:

I. MANAGEMENT

The Group further fine-tuned organizational structure and optimised human resources management. In the face of national development and industrial transformation, the Group adopted innovative ideas. Based on the talent review and planning carried out in the headquarters and all the operational regions last year, the Group had finished, in the middle of the year, bringing in a younger management team, especially those who held key positions, and defining roles and responsibilities for members of the management team. The Group adjusted its organizational structure, optimized staff deployment, and did not set any universal standard for suitable candidates.

The Group had built a comprehensive echelon training system. It re-designed and consolidated the previously scattered and fixed training courses with limited availability. Training courses now ranged from general training, and QCC training of grass-roots employees, to TWI training, MTP training and second generation high calibre employees training for supervisors at all levels, which made management more focus on objectives. The complete and systematic training approach enabled the Group to foster more professional candidates.

The Group had also pushed forward with the reform on employee performance appraisal and remuneration policy. The Group carried out KPI performance management for high-level managements, and used management by objectives to assess the management by objectives performance of specified tasks or projects set for the year, to ensure the realization of the Group's strategic goals. Meanwhile, the Group commissioned well-known consulting companies to examine and review the Group's remuneration policy and to provide professional consulting proposal, so as to design a more attractive and competitive remuneration system for the Group.

II. MARKETING

The business operation had been more institutionalized and transparent. Through the headquarters' integrated management of all the operational regions' business, it had gradually formulated and improved the corresponding guidance for the selection, evaluation, incentive, replacement of dealers, and for the receipt of orders from, credit evaluation of, and setting price for end consumers through direct sales. At the same time, the Group's business operation policies, especially the newly formulated requirements, were also made known to customers through various channels including new media, so as to improve the credibility and transparency of operations.

Artificial intelligence technology had been used to improve customer service experience. The Group made use of the systematic data analysis of sales data through the headquarters' platform, to provide guidance on each operational region to make flexible adjustment in sales strategies for core marketplace and non-core market segments, for channel sales and direct sales, and for core customers and persuadable customers. The Group had continued to develop new online functions of the APP and improved the ease of use basing on customer feedback. By ensuring swift and efficient service response, the Group had effectively improved customer satisfaction.

The Group had strengthened the management of accounts receivables and bill receivables to ensure sound financial position. It had fine-tuned its business credit evaluation and managed credit risks according to different levels. The Group had taken proactive actions to handle those accounts receivables with higher risks to ensure effective use of the Group's funds. In addition to stringent control of commercial acceptance bills, the Group had switched the management of the negative list of bank acceptance bills to the management of the positive list, effectively avoiding the risks of various bills.

III. TECHNOLOGY INNOVATION

Continuous technological innovation is the driving force for the Group's sustainable operation. While making constant improvement of itself, the Group also kept abreast of the intelligentization of the cement industry.

By innovating the production and management process, the Group established smart factories. The Group pushed ahead with intelligent modification. It increased predictive maintenance systems, and adopted intelligent systems such as remote video monitoring, shipyard APP port reporting, and ship loading and unloading operation registration, thereby applying the concept of industrial automation in various key production factors and aspects. The aforesaid greatly improved production efficiency and achieved "smart production". A newly constructed energy management centre and a comprehensive inventory management system were used to analyse the big data, reflecting the Group's promotion of digital management to leverage synergetic effects.

Reduction in production costs started from raw material. The Group actively carried out research and development and exploration of the production and use of various new raw materials. Through homogenization of raw material, production technique adjustment, and research and development of new technologies, the Group continued to expand the scope of raw material sources. In addition to ensuring the quality of existing products, the expansion of the source of raw materials not only enabled the Group to reduce reliance on the supply of a few existing raw materials, but also allowed the Group to lower production costs.

IV. ENVIRONMENTAL PROTECTION

Environmental protection is one of the fundamentals for the Group's sustainable development. The Group not only strictly abided by the national laws and regulations, but also leveraged its competitive edge to work with the government and fulfill its social responsibility, so as to achieve a win-win situation for benefits and environmental protection.

Green mines construction. Disturbance in the mining area and surrounding ecological environment was reduced through the use of scientific, ecological and efficient methods of mining, maintenance and reclamation. During the year, two mines under the Group were selected for the national "green mines" list.

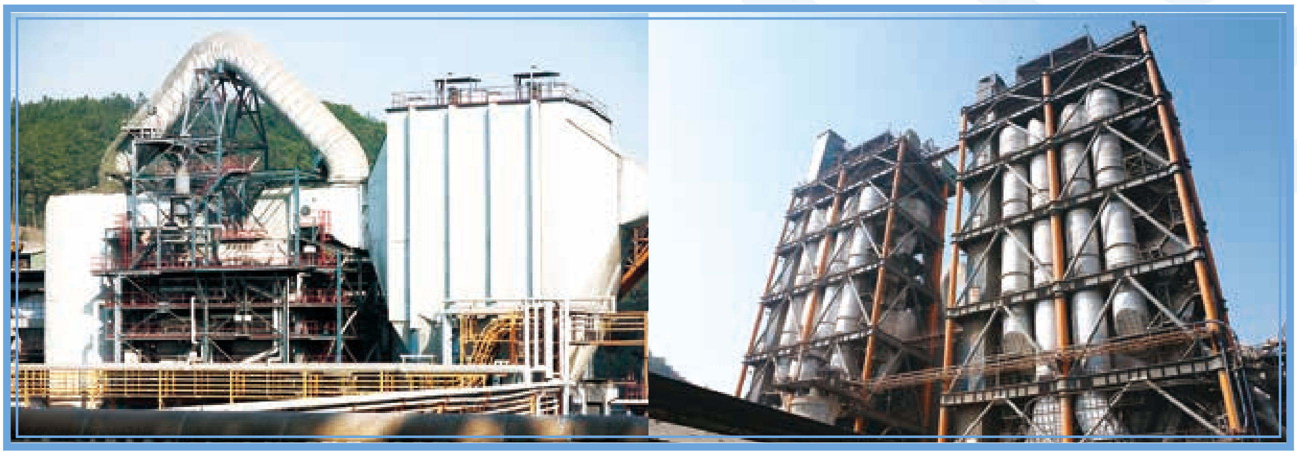
Realisation of ultra-low emissions. The Group introduced international advanced technology to conduct a full upgrade and modification of desulfurisation systems of all the kiln production lines; phased out existing electric dust collection systems and invested in the construction of dust bag collection projects. Using various approaches, the Group further reduced pollutant emissions and met ultra-low emission requirements.

Disposal of industrial waste, fulfilling social responsibility. The Group had been using cement kilns to process various types of industrial solid waste, construction waste, urban sludge, drilling detritus, waste rubber products, etc, which had no harmful effects, and helped reduced waste and recycle waste into resources, thus contributing to local environmental protection.

In general, 2019 had been a fruitful year. The industry as a whole was heading to quality development, with significant increase in profits. Looking into 2020, the focus of macroeconomic policies will gradually shift from deleveraging to achieving steady growth. Using infrastructure to boost economic growth will be the main focus, and industry demand will remain stable. Supply-side reform will continue to be implemented, execution of off-peak production will be normalised, progress of capacity swap will accelerate, and environmental protection will be tightened. All these will promote healthy development of the industry. It is expected that a positive industry outlook will persist. The Group is filled with confidence. Capitalising on the current development, the Group will embrace reforms and seize market opportunities, to achieve better results for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis



1. BUSINESS REVIEW:

(1) Macro perspectives of China and the industry:

In 2019, the overall national economy continued to remain stable while making progress, with steady increase in growth quality and key goals achieved with expected outcome. The annual GDP growth rate was 6.1%, dropping by 0.5 percentage point from that of 2018, but was within the target of 6.0%~6.5%. The central government ensured stable economic development by launching a series of measures for steady economic growth. Infrastructure investments sustained low but steady growth, as stimulus measures to boost infrastructure projects continued. Despite the government's determination to execute austerity measures on the property market, property development showed relatively strong resilience and investment growth continued to grow rapidly. The property sector played a yet more crucial role in supporting the positive trend for cement demand throughout the year. In 2019, China's fixed asset investment growth reached 5.4%, which was 0.5 percentage point lower than that of 2018. The national infrastructure investment growth was 3.8%, same as that of 2018, while the national property development investment growth increased by 0.4 percentage point from that of 2018 to 9.9%.

Slowdown in national fixed asset investment growth and rise in property development investment growth was a trend that continued into 2019 from 2018. As a result, the overall cement demand remained stable. Despite the execution of off-peak season production in the industry, the progress of capacity elimination was still slow. The national cement output in 2019 reached 2.33 billion tonnes, representing a 6.1% increase from that of 2018. Cement price, in general, continued to hover at high levels. In the first quarter, cement price began at high levels, and then declined, while demand rapidly rose after the weather turned warm. In July and August, affected by persistent hot weather and industry's high inventory level, cement price slightly decreased. After September, cement price continued to rally. The rise in both quantity and price of cement, coupled with State Council's series of measures to reduce tax and lower fee to support the real economic development helped significantly boost the cement industry's profits. Statistics showed that the industry profits in 2019 amounted to RMB186.7 billion, representing 19.6% year on year growth, reaching a historic high.

In 2019, 16 new cement and clinker production lines commenced operation in China, an increase of 2 production lines when compared to that of 2018. The aggregate clinker designed capacity from these newly operated production lines for the year amounted to 23.72 million tonnes, representing an increase of 3.29 million tonnes from that of 2018. Meanwhile, during the execution of the capacity swap policy, there lurked the issue of replacement of zombie capacity and loss-making capacity with new projects, resulting in the slow pace of capacity elimination. Excess cross-province capacity swaps might lead to rapid growth in supply in certain regions in future, causing great instability in subsequent market operations. The industry as a whole was still facing severe excess supply, with ferocious peer competition. In view of the supply side, the market outlook was not optimistic.

(2) Overview of the Group's business:

To the Group, 2019 was a year of active promotion of reform and innovation, as well as making progress and improvement. The Group pushed forward with a number of innovative projects, strengthened internal management, fully utilized informative tools, optimised sales structure, and fine-tuned incentive mechanism, which effectively enhanced the Group's overall competitiveness. The major points are summarised as follows:

First, the Group strove to highly integrate advanced production technology, informative tools and production and sales, to enhance efficiency. On the aspect of production, the Group continued to promote the concepts of ultra-low power consumption and ultra-low emission. The Group also kept on pushing forward with new equipment and production technology modification and replacement, including desulfurisation, denitration, and dust collection. The Group not only lowered power consumption and optimised resources allocation, but also lifted productivity and product quality. With respect to sales, the Group's customer APP was officially launched in 2019, adding artificial intelligence features to its business operations and increasing their efficiency. The APP also significantly improved delivery efficiency and enhanced the quality of service to customers.

Second, the Group amended performance cash awards procedure for sales staff of the cement and ready-mixed concrete businesses in 2019, shifting the focus of sales strategy from sales proceeds/turnover to net profit, thus encouraging sales staff to generate higher net profits for the Group. In addition, the Group explored market potential and refined customer review system by using the enormous data collected from customers in various regions as the basis for analysis. While contracting, combining or cutting sales in low net profit-making regions, the Group strengthened and enlarged the market share of core sales areas, optimised sales structure, and promoted the development of a more scientific and efficient customer management system.

Third, the Group attached great importance to high calibre talent pool and grooming talent, who will provide a solid foundation for the Company's future development. In 2019, to accelerate the fostering of talent at the grassroots level and middle-level management, the Group continued to conduct training courses, including QCC advanced training, second generation high calibre employees training, and middle-level management MTP training. Moreover, the Group also increased the size of training classes and the number of training courses. The Group was thus establishing a rational talent echelon, while possessing sufficient professional candidates at its disposal.

In 2019, the production and sale of the Group's cement products remained stable while making progress. With respect to production, the Group's clinker output reached 24.84 million tonnes, the same as that of 2018 . On the aspect of sales, the total sales volume of the Group's cement products (clinker + cement) amounted to 30.47 million tonnes, which was the same as that of 2018. Benefiting from the supply-side reform in full swing and continued deepening of environmental control, the selling price in the Group's major sales markets rose. The Group's overall profitability in 2019 had significantly increased from that of 2018.

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

	2019	2018	Change (%)
Cement	**28,652**	29,039	(1.3)
Clinker	**1,816**	1,537	18.2
Blast-furnace slag powder	**365**	376	(2.9)
	30,833	30,952	(0.4)

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

	2019	2018	Change (%)
Southeastern region	**13,643**	13,519	0.9
Central region	**6,160**	6,512	(5.4)
Southwestern region	**8,849**	9,008	(1.8)
	28,652	29,039	(1.3)

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

	2019 Sales volume	2019 Percentage (%)	2018 Sales volume	2018 Percentage (%)
High grade cement	**26,708**	**93**	25,681	88
Low grade cement	**1,944**	**7**	3,358	12
	28,652	**100**	29,039	100

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

	2019 Sales volume	2019 Percentage (%)	2018 Sales volume	2018 Percentage (%)
Bulk cement	**25,032**	**87**	24,323	84
Bagged cement	**3,620**	**13**	4,716	16
	28,652	**100**	29,039	100

Table 5: The Group's market share

	2019	2018
Jiujiang	**36%**	37%
Nanchang	**25%**	28%
Wuhan	**23%**	24%
Chengdu	**42%**	41%
Yangzhou	**22%**	24%

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2019, the Group's revenue amounted to RMB12,608.7 million, representing an increase of RMB1,278.4 million or 11% from RMB11,330.3 million in 2018. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2019.

	2019 RMB'000	2019 %	2018 RMB'000	2018 %
Southeastern region	**6,126,007**	**49**	5,537,596	49
Central region	**2,476,297**	**20**	2,466,454	22
Southwestern region	**4,006,412**	**31**	3,326,297	29
	12,608,716	**100**	11,330,347	100

In respect of revenue contribution for 2019, sales of cement accounted for 86% (2018: 88%) and sales of concrete accounted for 6% (2018: 5%). The table below is a sales analysis by product for the reporting period:

	2019 RMB'000	2019 %	2018 RMB'000	2018 %
Cement	**10,887,452**	**86**	9,926,311	88
Clinker	**582,463**	**5**	501,518	4
RMC	**811,946**	**6**	592,703	5
Blast-furnace slag powder	**113,250**	**1**	110,022	1
Others	**213,605**	**2**	199,793	2
	12,608,716	**100**	11,330,347	100

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2019, the Group's cost of sales increased by approximately 5% to RMB7,289.6 million from RMB6,943.9 million in 2018 due to the increase in the rising cost of raw materials used for manufacturing cement products.

The gross profit for 2019 was RMB5,319.1 million (2018: RMB4,386.4 million), with a gross profit margin of 42% (2018: 39%). The increase in gross profit was mainly attributable to the increase in the average selling price of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2019, other income amounted to RMB238.3 million, representing an increase of RMB67.6 million from RMB170.7 million in 2018. The increase in other income was attributable to the increase in interest income.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, decrease or increase in fair value of investment properties, impairment loss on property, plant and equipment and loss on disposal/write-off of property, plant and equipment. For 2019, other losses amounted to RMB23.3 million, representing an increase of RMB13.3 million from other losses of RMB10.0 million in 2018. The increase in other losses was principally attributable to exchange loss, the decrease in gain on disposal of a subsidiary, the decrease in fair value of investment properties and the decrease in impairment loss on property, plant and equipment.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2019, the distribution and selling expenses increased by approximately flat, from RMB445.9 million in 2018 to RMB447.5 million in 2019. Mainly attributable to an increase in transportation staff costs, and a decrease in material consumed, commission of cement products and other expenses during 2019.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 35%, from RMB316.5 million in 2018 to RMB428.5 million in 2019. The increase was attributable to an increase in staff costs, repairment and other general expenses, which led to other general expenses during 2019.

The 10% increase in finance costs was mainly due to the increase of high days of bank borrowing compared to 2018.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2019 increased by RMB966.9 million, constituting a profit of RMB4,350.1 million (2018: profit of RMB3,383.2 million).

Income Tax Expense

In 2019, income tax expense increased by RMB237.6 million or approximately 27% to RMB1,120.0 million, from RMB882.4 million in 2018.

Non-controlling Interests

In 2019, non-controlling interests amounted to RMB82.8 million, representing an increase of RMB2.8 million or approximately 4% compared with RMB80.0 million in 2018, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2019, the net profit of the Group amounted to RMB3,230.1 million, representing an increase of RMB729.3 million from the profit of RMB2,500.8 million in 2018.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2019. Total assets increased by approximately 16% to RMB23,985.8 million (31 December 2018: approximately RMB20,722.3 million), while total equity increased by approximately 12% to RMB14,643.0 million (31 December 2018: approximately RMB12,442.3 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2019, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB7,957.1 million (31 December 2018: RMB5,016.6 million), of which approximately 46% was denominated in RMB and approximately 54% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs and staff salaries. Cash generated from operating activities increased from RMB2,907.9 million in 2018 to RMB4,883.3 million in 2019.

The Group's cash inflow from investment activities primarily consisted of interest income repayment from related companies and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of investment in an associate, loans to related companies, purchases of property, plant and equipment and purchases of land use rights. In 2019, the net cash used in investment activities of the Group amounted to RMB216.6 million, representing an increase from RMB71.2 million in 2018.

In 2019, the net cash used in financing activities of the Group amounted to RMB1,732.8 million. This was primarily due to repayments of bank borrowings and dividends paid in 2019.

Capital Expenditure

Capital expenditure for the year ended 31 December 2019 amounted to approximately RMB293.2 million, and capital commitments as at 31 December 2019 amounted to approximately RMB36.1 million. Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2019 and 2018 are summarized below:

	As at 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Short-term borrowings	**4,770,215**	**77**	2,475,485	37
Long-term borrowings	**1,444,094**	**23**	4,154,659	63
Currency denomination				
– RMB	**1,940,000**	**31**	3,606,904	54
– US dollars	**4,274,309**	**69**	3,023,240	46
Borrowings				
– unsecured	**6,214,309**	**100**	6,630,144	100
Interest rate				
– fixed-rate RMB bank borrowings	**1,940,000**	**3.60% to 3.85%**	129,550	3.92% to 4.35%
– fixed-rate USD bank borrowings	**3,778,999**	**2.49% to 3.73%**	–	N/A
– variable-rate RMB bank borrowings	**-**	**-**	3,477,354	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.70% to 1.10%
– variable-rate USD bank borrowings	**495,310**	**LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%**	3,023,240	LIBOR plus margin of 0.70% to 1.35%

As at 31 December 2019, the Group had unutilized credit facilities in the amount of RMB8,068.9 million.

As at 31 December 2019, the Group's gearing ratio was approximately 39% (31 December 2018: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2019 and 2018, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2019.

Contingent Liabilities

As at the date of this report and as at 31 December 2019, the Board (the "Board") is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2019, the Group had 3,900 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC, and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors (the "Directors") and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group. As at 31 December 2019, no share options were granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2019.

Foreign Exchange Risk Management

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

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

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

2. BUSINESS PROSPECTS:

(1) Industry Challenges

The cement industry will face growing uncertainty in 2020. The major unfavourable factors are as follows:

First, affected by the novel coronavirus epidemic in early 2020, the downstream construction sector had stopped its activities in most of the regions as at mid-February. Although the approval process for resumption of key projects in various regions has been accelerated, the downstream demand will still be gradually recovering before the second quarter, and in the short term, such demand will not be released all at once. At the same time, some cement enterprises maintained normal operation during the Spring Festival, which heightened the problem of high inventory after the Spring Festival when compared with that of previous years. Moreover, it will be difficult to find a solution to such a problem in the short term, which might give a gloomy start for the cement industry in 2020.

Second, with respect to the property market, the central government explicitly expressed that it will not use property as a short-term measure to stimulate the economy. Property regulatory measures are mainly aimed at achieving stability. The growth rate of property investment may decline, but its resilience remains relatively strong. The infrastructure construction and property sectors will continue to provide strong support to drive cement demand. In view of the risk factors including continuous decline in the growth rate of fixed asset investment, increasing pressure on local governments to repay debts, insufficient funds for key projects, the continuous cooling in land purchase, it is likely that cement demand may slightly decline year-on-year.

Third, increasing clinker imports continue to affect the domestic market. China imported approximately 22.74 million tonnes of clinker in 2019, representing a year-on-year increase of 79.5%, mainly from Vietnam. Looking to the future, there is severe cement overcapacity in Southeast Asian countries and export momentum is gradually increasing. If the price difference between domestic and international clinker remains large in 2020, clinker imports will continue an upward trend, which will have impact on markets with convenient water transport along the coast and rivers of China.

(2) Industry Trend

Despite various uncertainties over demand and supply, there are also a number of positive factors. Opportunities and challenges coexist in 2020, and the Group maintains a cautious and optimistic attitude. The main positive factors are as follows:

First, affected by the epidemic, the GDP growth in the first quarter is predicted to decline to 4% – 5%. However, backing by a huge domestic market, China's economy remains resilient and still has huge potential in growth. There has not been any change in the basic trend of China's economy, which is to remain stable and positive, with a positive long-term growth outlook. It is estimated that GDP growth will be maintained at about 5.5% in 2020. In anticipation of a stable economic growth, the probability of a sharp decline in cement demand in 2020 is small, and it is expected that cement demand will remain fluctuating in the plateau phase.

Second, in terms of infrastructure construction, the State had brought forward the quota of special-purpose local governments' bonds, lowered the minimum capital ratio requirements for some infrastructure projects, accelerated the construction of projects that could help boost the economy, and pushed forward with the construction of major projects. As a key driver of stable economic growth, the growth rate of infrastructure investment is expected to increase. The growth rate of property investment may decline, but infrastructure and property sectors will still provide strong support to drive cement demand. A considerable amount of demand curbed by the early warning and control of air pollution since September last year will be released in 2020, which will help improve cement demand for the current year. As at October 2019, the total investment of transportation infrastructure projects approved by the National Development and Reform Commission amounted to RMB1.13 trillion, of which urban rail transit accounted for 49.12%. Since the second half of the year, dozens of infrastructure projects including 18 railway projects and metro projects in various cities had been approved, with an investment nearing RMB500 billion. With the gradual availability of funds, construction of the subsequent infrastructure projects are expected to be carried out at the same time, which will help release demand.

Third, the "stringent control of output and production capacity" with respect to the supply side will continue. 2020 is the last year of the three-year action plan aims for blue skies. However, various areas have yet to meet the environmental protection standards and face great pressure to meet the standards. In order to meet the environmental standards set by the action plan, cities will find no room for easing cement supply. In 2020, air pollution control may be further tightened, and the impact of new production capacity on the whole industry will be minimal.

(3) The Group's Outlook:

As the epidemic occurred during the low season of cement demand, its impact was relatively minimal. Pent-up demand will gradually be released in the second quarter. After the epidemic, it is expected that measures to ensure steady infrastructure investment growth will increase, which will provide strong support to drive market demand in the second half of the year. At the same time, against the backdrop of supply-side structural reform policies and tighter environmental protection regulation, industry self-discipline improves and synergies among large enterprises increase, while various measures to reduce production capacity and optimise structure will continue to be implemented. The overall trend of gradual improvement in the supply-demand relationship in the cement industry will not change, and it is expected that cement price will remain at high levels, with mild fluctuations. As such, the Group expects cement demand will shrink in the first quarter of 2020, recover in the second quarter, and remain at peak season level in the second half of the year. With both challenges and opportunities lying ahead, much could be achieved in 2020.

In view of the changes brought forth by a new era, efficiency enhancement, cost reduction, structure optimisation and quality improvement will be the direction of the Group's operation management in 2020. The Group will continue to uphold its longstanding corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", push forward with transformation towards an informatized and intelligentized enterprise, promote implementation of ultra-low power consumption and ultra-low emission standards, optimize existing sales network, and enhance the Group's overall competitiveness with high quality products and excellent services. As a long-standing, ambitious, innovative and sustainable international company, the Company will create greater value for the country/society, shareholders and employees with its outstanding performance.

Corporate Governance Report

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

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2019:

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review. Details of the shareholding interests held by the Directors as at 31 December 2019 are set out in page 42 of this annual report.

BOARD OF DIRECTORS

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

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

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

Biographical information of the Directors is set forth on pages 33 to 36 of this annual report.

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2017, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lih, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2017, and Ms. WU, Ling-ling has entered into a service contract with the Company for a team of three years commencing on 1 April 2019, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non-executive Director, for a term of three years commencing on 27 April 2017, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming commencing on 27 April 2017, 13 April 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence and the Company considers each independent non-executive Director to be independent. To further enhance accountability, any appointment of an individual non-executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and four meetings were held in 2019. Regular board meetings are usually scheduled at the beginning of the year to give all Directors adequate time to plan their schedules to attend. Directors will normally receive at least 14 days' prior written notice of regular Board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

The table below sets out the details of Board meeting attendance of each Director in 2019.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	4/4
Mr. HSU, Shu-ping	4/4
Mr. CHANG, Tsai-hsiung	4/4
Dr. WU, Chung-lih	4/4
Mr. CHANG, Chen-kuen	4/4
Mr. LIN, Seng-chang	4/4
Ms. WU, Ling-ling	4/4
Mr. TSIM, Tak-lung Dominic	4/4
Mr. WANG, Wei	3/4
Mr. LEE, Kao-chao	4/4
Dr. WANG, Kuo-ming	4/4

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

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

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

TRAINING FOR DIRECTORS

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

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

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

The individual training record of each Director received for financial year ended 31 December 2019 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. HSU, Shu-ping	A
Mr. CHANG, Tsai-hsiung	A
Dr. WU, Chung-lih	A and B
Mr. CHANG, Chen-kuen	A
Mr. LIN, Seng-chang	A
Ms. WU, Ling-ling	A and B
Non-executive Director	
Mr. HSU, Shu-tong	A
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	B
Mr. WANG, Wei	A and B
Mr. LEE, Kao-chao	B
Dr. WANG, Kuo-ming	B

Notes:

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Two meetings were held with the management and/or the external auditors in 2019. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

One meeting was held in 2019. Members of Remuneration Committee attendance at committee meeting held during their term of office are listed below:

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 12 to the financial statements.

The remuneration of the members of senior management by bands in 2019 is set out below:

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

INDEPENDENCE COMMITTEE

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

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

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

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

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

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

One meeting was held in 2019. Members of Independence Committee attendance at committee meeting held during their term of office are listed below:

	Number of Independence Committee Meeting attended/held
Committee members	
Mr. LEE, Kao-chao (chairman)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Dr. WANG, Kuo-ming	1/1

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

NOMINATION COMMITTEE

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

Main board Listing Rule 13.92 requires the Board should have a board diversity policy. The Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy") on 25 October 2013 and amended the same on 31 December 2018, which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee will review the Board Diversity Policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIRECTOR NOMINATION POLICY

The Company has adopted a Director Nomination Policy on 31 December 2018 setting out the criteria and process in the nomination and appointment of Directors of the Company and ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company, and also ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the Nomination Committee should consider criteria including but not limited to character and integrity, qualifications, diversity of the Board, requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules, potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board.

Under the Director Nomination Policy, the Nomination Committee should, upon receipt of the proposal on appointment of new director and the biographical information of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

One meeting was held in 2019. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

The Board's annual reviews of the Company's corporate governance practices for the year ended 31 December 2019 has covered the aforesaid matters.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditors of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 47 of this annual report.

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external services provider, and Ms. HO Siu Pik ("Ms. HO") has been appointed as the company secretary of the Company. Ms. Ho's primary contact person at the Company is Mr. WU Chien-hua, acting CFO of the Group. During year 2019, Ms. HO undertook over 15 hours of professional training to update her skill and knowledge.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 47 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2019 is as follows:

	2019 RMB'000
Audit services	**5,564**
Non-audit services	–
Total	**5,564**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management, conduct reviews of the effectiveness of the Company's risk management and internal control systems, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's risk management and internal audit department and management on the effectiveness of the Company's risk management and internal control systems, and reports to the Board on such reviews. In respect of the year ended 31 December 2019, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

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

SHAREHOLDERS' RIGHTS

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

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

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

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The 2019 annual general meeting of the Company ("2019 AGM") was held on 5 June 2019. The notice of the 2019 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2019 AGM.

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

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. HSU, Shu-ping	1/1
Mr. CHANG, Tsai-hsiung	1/1
Dr. WU, Chung-lih	1/1
Mr. CHANG, Chen-kuen	1/1
Mr. LIN, Seng-chang	1/1
Ms. WU, Ling-ling	1/1
Non-executive Director	
Mr. HSU, Shu-tong	1/1
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	1/1
Mr. WANG, Wei	1/1
Mr. LEE, Kao-chao	1/1
Dr. WANG, Kuo-ming	1/1

The Company's external auditor also attended the 2019 AGM.

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

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

DIVIDEND POLICY

The Board has established a dividend policy and adopted it on 31 December 2018 setting out the principles and guidelines that the Company intends to apply when considering the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The Company is subject to the Articles of Association of the Company and all applicable laws (including the Cayman Company Laws), rules and regulations, during declaration and payment of dividends to shareholders of the Company.

CONSTITUTIONAL DOCUMENTS

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

Directors and Senior Management

DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 78, is the chairman of the Group. Mr. HSU's principal responsibilities involve leading the overall strategy and business development of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises 251 companies extending into China with operations in countries including Japan, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 60,000, and in 2019, it has total assets of US$92.1 billion and annual revenues of US$24.3 billion.

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

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

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

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

** *Companies Listed on The Stock Exchange of Hong Kong Limited*

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 74, is an executive Director and the vice chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and the vice chairman of Far EasTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr. CHANG, Tsai-hsiung (張才雄), aged 96, is an executive Director of the Group. He is mainly responsible for the formulation and implementation of the overall business strategy and the planning and supervision of the Group's overall operation in China. Mr CHANG is also an executive director of Asia Cement Corporation and a director of U-Ming Marine Transport Corporation, companies listed in Taiwan. Mr CHANG has more than 53 years of experience in the cement industry in both Taiwan and Mainland China. He has devoted enormous efforts in introducing advanced production techniques and highly efficient operation management to the cement industry in Taiwan and Mainland China. Under Mr CHANG's supervision, the production scale and operation efficiency of the Group's production facilities in Mainland China continue to increase. In recent years, together with the management team of the Group, Mr CHANG actively promoted the implementation of energy saving and environmental protection measures during the cement production process, while utilizing cement production facilities to solve urban waste problem. Mr CHANG joined Far Eastern Group, Asia Cement Corporation, since 1963 and later joined the Group in October 1997. During his tenure with the Company, Mr CHANG had taken various positions including engineer, deputy factory head, factory head, chief factory head, deputy general manager, general manager and officer-in-charge of factory construction and chief operation officer of the subsidiaries of the Group, vice chairman and the prestigious position as the advisor of the Group. Besides serving as engineer in various companies in Mainland China in his early years, Mr CHANG was also hired as engineer, factory head of maintenance plant and division head of ship machinery by Keelung Harbour Bureau and Hualien Harbour Bureau in Taiwan.

Dr. WU, Chung-lih (吳中立), aged 70, is an executive Director, the chief executive officer. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Ms. WU, Ling-ling (吳玲綾), aged 54, has served as an executive Director since April 2016. Ms. WU is also the chief financial officer and executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and its affiliate, Far Eastern Group of Taiwan ("FEG"). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of **China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015 and since 23 May 2018. From June 2001 to July 2007, Ms. WU served as Vice President of Internal Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People's Republic of China as well as abroad.

** *Companies Listed on The Stock Exchange of Hong Kong Limited*

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

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

Mr. CHANG, Chen-kuen (張振崑), aged 73, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 49 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 76, is an executive Director, the business consultant of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 73, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Mr. LEE, Kao-chao (李高朝), aged 82, has served as an independent non-executive Director of the Company since April 2015. Mr. LEE completed his M.A. from Agricultural Economics Graduate School of Taiwan University in 1960. In 1973, Mr. LEE went to Vanderbilt University, Tennessee, USA, for his second M.A. in Economic Development, before returning to his position as the Director of Economic Research Department in Council for Economic Planning and Development ("CEPD"), Executive Yuan, Taiwan. Later on, Mr. LEE was promoted as Vice Chairman, or Deputy Minister of CEPD, which position he had stayed for eight years and he was responsible for coordination of economic policies. Mr. LEE has been a director of the board of Taipei City Bank, now privatized Taipei-Fubon Bank, for eight years, and a director of the board of Chang Hwa Bank for three years, well contributing his knowledge on economic and financial development at home and abroad. Mr. LEE has long been the ad joint professor in Taiwan University, teaching Inter-industry relationship, or Input-output Study, which area he has well practicing the interactions of industries. He had been teaching managerial economics in the Business School of Yuan Ze University after retiring from government sector. Mr. LEE served as an independent director of Asia Cement Corporations from June 2005 to June 2014.

** *Companies Listed on The Stock Exchange of Hong Kong Limited*

Mr. WANG, Wei (王偉), aged 63, has served as an independent non-executive Director of the Company since April 2015. Mr. WANG was the vice president of China National Materials Company Limited ("Sinoma") and retired in 2016. Mr. WANG served as a director and the president of Sinoma International Engineering Co., Ltd from December 2001 to December 2009 and as the chairman of the board of Sinoma International Engineering Co., Ltd from December 2009 to September 2014. Mr. WANG served as the supervisor of Sinoma from July 2007 to March 2010 and was appointed as the vice president of Sinoma in March 2010. Mr. WANG joined the Sinoma group in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. WANG served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. WANG has extensive knowledge of the industry. Before he retired, he also served as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products, an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies, the China director of the BRICS Business Council, the vice president of China Building Materials Federation and the vice president of China Cement Association. Mr. WANG graduated from Nanjing University of Technology in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

Dr. WANG,Kuo-ming (王國明), aged 76, has served as an independent non-executive Director of the Company since October 2015. Dr. WANG graduated from the Kansas State University with a master degree and PhD degree in Industrial Engineering. Following graduation, he returned to Taiwan and joined Nation Tsing Hua University, where he was an associate professor, professor, head of the department of industrial engineering, and secretary general. In 1989, Dr. WANG was appointed as the founding president of Yuan Ze University. Under his 10-year leadership from 1989 to 1999, Yuan Ze University developed into the best private university in Taiwan. Dr. WANG then returned to National Tsing Hua University and served as the dean and professor of Technology Management College from 2000 to 2003.

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

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

** *Companies Listed on The Stock Exchange of Hong Kong Limited*

SENIOR MANAGEMENT

Mr. LIN, Rong-chou (林榮洲), aged 74, is the chief audit officer of the Group. Mr. LIN is primarily responsible for internal audit function for the Group. Mr. LIN graduated from TamKang University in Taiwan majoring in professional corporate management. Mr. LIN joined Asia Cement in November 1971 and joined the Group in September 2006.

Mr. WU, Chien-hua (吳建華), aged 64, is acting CFO of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. YU, Dong-lin (余東霖), aged 69, is the acting CEO, manager of human resources department and manager of secretariat of the Group. Mr. YU is primarily responsible for managing human resources of the Group, and is in charge of the daily administration and procurement of the Group. Mr. YU has over 40 years of experience in human resources, administration and operation in Taiwan Asia Cement Corporation (台灣亞洲水泥公司), the parent company of the Group, and joined the Group in November 2014.

COMPANY SECRETARY

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

** *Companies Listed on The Stock Exchange of Hong Kong Limited*

Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 136 to 138 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year under review.

BUSINESS REVIEW

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended 31 December 2019, and the likely future development in the Group's business can be found in the sections headed "Chairman's Statement" on pages 4 to 7 and "Management Discussion and Analysis" on pages 14 to 23 of the annual report. Details about the Group's financial risk management are set out in Note 4 to the consolidated financial statements. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

The Directors recommended the payment of a final dividend of RMB50 cents per ordinary share, totaling RMB783,426,000 in respect of the year to shareholders on the register of members on 10 June 2020. The proposed final dividend for the year ended 31 December 2019 has been approved at the Company's Board meeting on 24 March 2020. Details of the dividends for the year ended 31 December 2019 are set forth in note 13 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 1 June 2020.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Wednesday, 10 June 2020 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in note 47 to the consolidated financial statements and in the consolidated statement of changes in equity on page 54 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,964.9 million. The amount of approximately RMB2,964.9 million includes the Company's share premium account of approximately RMB2,092.1 million and retained earnings of approximately RMB872.8 million in aggregate as at 31 December 2019, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB1.4 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

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

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2018 and 2019.
— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2018 and 2019.
— To the best knowledge of the Directors, at no time during the year under review did any Director, their close associates (as defined in the Listing Rules) or any shareholder of the Company that owned more than 5% of the Company's issued shares, had direct or indirect interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2019 are set out in Note 40 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions as defined under the Listing Rules.

DIRECTORS

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

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

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

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 33 to 37 of this annual report.

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

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

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

Details of the emoluments of the Directors and the five highest paid individuals of the Company in 2019 are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the financial year ended 31 December 2019.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2019 or at any time during the financial year ended 31 December 2019.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2017, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lin, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2017, and Ms. WU, Ling-ling has entered into a service contract with the Company for a term of three years commencing on 1 April 2019, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director, for a term of three years commencing on 27 April 2017, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. Wang, kuo-ming commencing on 27 April 2017, 13 April 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives	Total interests	
Mr. HSU, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. HSU, Shu-ping	200,000	–	200,000	0.01%
Mr. CHANG, Tsai-hsiung	429,500	–	429,500	0.03%
Dr. WU, Chung-lih	258,000	–	258,000	0.02%
Mr. CHANG, Chen-kuen	462,500	–	462,500	0.03%
Mr. LIN, Seng-chang	290,000	–	290,000	0.02%
Ms. Wu, Ling-ling	20,000	–	20,000	0.001%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest			Total no. of shares in the associated corporation	% of shareholding in the associated corporation
		Personal	Through spouse	Corporate		
Mr. HSU, Shu-tong	Asia Cement Corporation ("Asia Cement")	23,278,334	6,352,467	–	29,630,801	0.88%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	4,000	–	–	4,000	0.0007%
Mr. HSU, Shu-ping	Asia Cement	13,454,981	–	–	13,454,981	0.40%
Mr. CHANG, Tsai-hsiung	Asia Cement	459,350	110,877	–	570,227	0.02%
	Oriental Industrial	2,000	–	–	2,000	0.0004%
Mr. CHANG, Chen-kuen	Asia Cement	29,745	5,358	–	35,103	0.001%
Mr. LIN, Seng-chang	Asia Cement	16,892	476	–	17,368	0.0005%
Dr. WANG, Kuo-ming	Asia Cement	–	1,841	–	1,841	0.00005%

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,143,822,000	73.00%

Note:

1. *Asia Cement beneficially owns approximately 67.73% interest of the Company. Asia Cement Singapore holds approximately 4.07% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.07% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Asia Engineering Enterprise Corporation holds approximately 0.20% interest in the Company, which is approximately 98.30% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 0.20% interest of the Company by virtue of its corporate interest in Asia Engineering Enterprise Corporation. Further, Falcon Investments Private Limited holds approximately 1.00% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 1.00% interest of the Company under the SFO.*

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme approved and adopted by the company on 27 April 2008 was expired on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2019, or as at the date of this annual report.

EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2019.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

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

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

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

NON-COMPETITION UNDERTAKING

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

In determining whether each of Asia Cement and Far Eastern had fully complied with the non-competition undertakings during the year ended 31 December 2019 for the annual review, the Company noted that (a) each of Asia Cement and Far Eastern declared that they had fully complied with the terms of the Amended Deed at 31 December 2019, (b) no new competing business was reported by each of Asia Cement and Far Eastern as at 31 December 2019; and (c) the independent non-executive Directors had reviewed the compliance of non-competition undertakings by each of Asia Cement and Far Eastern as the part of the annual review process.

In view of the above, the Company confirmed that all of the non-competition undertakings in the Amended Deed have been complied with by each of Asia Cement and Far Eastern for the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTION

Jiangxi Yadong Cement Co., Ltd. ("Jiangxi Yadong"), a subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Asia Cement Corporation on 15 February 2019, pursuant to which Jiangxi Yadong agreed to sell and Asia Cement Corporation agreed to buy ordinary Portland cement. The term of the Sale and Purchase Agreement commenced from 15 February 2019 and ended on 30 April 2019.

Pursuant to the Sale and Purchase Agreement, Jiangxi Yadong agreed to supply to Asia Cement Corporation up to 66,000 metric tonnes of cement from 15 February 2019 to 30 April 2019. The unit selling price was based on the actual transaction unit price per metric tonne when the cement was loaded at the Taizhou Port, Jiangsu Province, the People's Republic of China, which was equivalent to the Buyer's selling price to its customers after deducting US$1 (representing the Buyer's operating charge); in any event, however, such purchase price shall range from US$42 to US$45 per metric tonne for cement and after deducting the Buyer's operating charge.

Asia Cement Corporation holds approximately 73.00% of the entire issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. Asia Cement Corporation is principally engaged in the manufacture and sales of cement, concrete and related products through self-built production lines and diversified investment.

For the year ended 31 December 2019, the transaction amount under the Sales and Purchase Agreement was US$2,556,810, whereas the relevant annual cap was US$2,970,000.

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

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 128 of the Annual Report in accordance with Rule 14A.56 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
HSU Shu-tong
Chairman

24 March 2020

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 (the "ISAB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Estimated provision of expected credit losses for trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2019, the Group's net trade receivables amounting to approximately RMB1,105,873,000, which represented approximately 4.6% of total assets of the Group and out of these trade receivables of approximately RMB318,720,000 were past due. As disclosed in note 42(b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 42(b) to the consolidated financial statements, the Group recognised an additional amount of RMB45,058,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2019 amounted to approximately RMB232,032,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2019, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**12,608,716**	11,330,347
Cost of sales		**(7,289,590)**	(6,943,932)
Gross profit		**5,319,126**	4,386,415
Other income	7	**238,252**	170,675
Other gains and losses	8	**(23,302)**	(10,028)
Impairment loss recognised on goodwill	19	**–**	(138,759)
Allowance for credit losses on trade receivables, net		**(45,058)**	(26,243)
Distribution and selling expenses		**(447,454)**	(445,879)
Administrative expenses		**(428,509)**	(316,471)
Finance costs	9	**(267,721)**	(244,450)
Share of profits of joint ventures	21	**9,579**	6,800
Share of (losses) profits of associates	22	**(4,833)**	1,090
Profit before tax		**4,350,080**	3,383,150
Income tax expense	10	**(1,119,984)**	(882,360)
Profit and total comprehensive income for the year	11	**3,230,096**	2,500,790
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**3,147,340**	2,420,839
Non-controlling interests		**82,756**	79,951
		3,230,096	2,500,790
		RMB	RMB
Earnings per share			
Basic	14	**2.009**	1.545

Consolidated Statement of Financial Position

AT 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,077,172**	8,598,033
Quarry	*16*	**964,761**	163,974
Prepaid lease payments	*17*	**–**	701,095
Investment properties	*18*	**82,420**	89,730
Goodwill	*19*	**554,241**	554,241
Intangible assets	*20*	**3,571**	3,991
Interests in joint ventures	*21*	**56,491**	49,045
Interests in associates	*22*	**725,122**	16,565
Restricted bank deposits	*26*	**–**	1,421
Deferred tax assets	*30*	**82,222**	72,615
Long term prepaid rental	*31*	**–**	20,000
Right-of-use assets	*33*	**819,682**	–
		11,365,682	10,270,710
CURRENT ASSETS			
Inventories	*23*	**674,380**	726,239
Trade and other receivables	*24*	**3,962,640**	4,104,907
Prepaid lease payments	*17*	**–**	22,952
Loans to related companies	*25*	**–**	546,599
Amount due from an associate	*25*	**15,959**	11,257
Amount due from a joint venture	*25*	**10,014**	24,535
Restricted bank deposits	*26*	**14,503**	6,456
Bank balances and cash	*26*	**7,942,576**	5,008,691
		12,620,072	10,451,636
CURRENT LIABILITIES			
Trade and other payables	*27*	**2,174,123**	988,260
Contract liabilities	*28*	**185,525**	136,355
Amounts due to joint ventures	*25*	**5,563**	15,350
Tax payables		**555,414**	439,830
Borrowings – due within one year	*29*	**4,770,215**	2,475,485
Lease liabilities	*34*	**4,512**	–
		7,695,352	4,055,280
NET CURRENT ASSETS		**4,924,720**	6,396,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,290,402**	16,667,066

Consolidated Statement of Financial Position

AT 31 December 2019

	NOTES	**2019 RMB'000**	2018 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*29*	**1,444,094**	4,154,659
Deferred tax liabilities	*30*	**70,555**	38,783
Provision for environmental restoration	*32*	**36,734**	31,278
Lease liabilities	*34*	**96,025**	–
		1,647,408	4,224,720
NET ASSETS		**14,642,994**	12,442,346
CAPITAL AND RESERVES			
Share capital	*35*	**140,390**	140,390
Reserves		**14,123,411**	11,947,519
Equity attributable to owners of the Company		**14,263,801**	12,087,909
Non-controlling interests		**379,193**	354,437
TOTAL EQUITY		**14,642,994**	12,442,346

The consolidated financial statements on pages 51 to 142 were approved and authorised for issue by the Board of Directors on 24 March 2020 and are signed on its behalf by:

HSU, SHU-PING
DIRECTOR

WU, CHUNG-LIH
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							Attributable to non-controlling interests	
	Share capital RMB'000	Share premium RMB'000 *(note a)*	Statutory reserves RMB'000 *(note b)*	Other reserves RMB'000 *(note c)*	Special reserve RMB'000 *(note d)*	Retained earnings RMB'000	Sub-total RMB'000	RMB'000	Total RMB'000
At 1 January 2018	140,390	3,306,457	1,515,342	286,038	1,635,906	3,025,799	9,909,932	300,452	10,210,384
Profit and total comprehensive income for the year	–	–	–	–	–	2,420,839	2,420,839	79,951	2,500,790
Appropriation	–	–	209,154	–	–	(209,154)	–	–	–
Dividends recognised as distribution *(note 13)*	–	(242,862)	–	–	–	–	(242,862)	–	(242,862)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(25,966)	(25,966)
At 31 December 2018	140,390	3,063,595	1,724,496	286,038	1,635,906	5,237,484	12,087,909	354,437	12,442,346
Profit and total comprehensive income for the year	–	–	–	–	–	3,147,340	3,147,340	82,756	3,230,096
Appropriation	–	–	585,850	–	–	(585,850)	–	–	–
Dividends recognised as distribution *(note 13)*	–	(971,448)	–	–	–	–	(971,448)	–	(971,448)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(58,000)	(58,000)
At 31 December 2019	140,390	2,092,147	2,310,346	286,038	1,635,906	7,798,974	14,263,801	379,193	14,642,994

Notes:

a. In accordance with the Cayman Islands Companies Law, share premium is one of the Company's reserves available for distribution.

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

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

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

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

c. Other reserves as at 31 December 2019 and 2018 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.

d. Special reserve as at 31 December 2019 and 2018 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**4,350,080**	3,383,150
Adjustments for:		
Depreciation and amortisation	**1,106,303**	871,419
Finance costs	**267,721**	244,450
Loss (gain) on fair value change on investment properties	**7,310**	(1,338)
Allowance for credit losses on trade receivables, net	**45,058**	26,243
Provision for environmental restoration	**5,456**	4,508
Loss on disposal/write off of property, plant and equipment	**11,420**	9,761
Gain on disposal of a subsidiary	**–**	(9,051)
Impairment loss on property, plant and equipment	**–**	11,417
Impairment loss recognised on goodwill	**–**	138,759
Interest income on bank deposits	**(162,183)**	(37,905)
Interest income from advance to a joint venture	**(786)**	(1,594)
Share of profit of joint ventures	**(9,579)**	(6,800)
Share of losses (profits) of associates	**4,833**	(1,090)
Operating cash flows before movements in working capital	**5,625,633**	4,631,929
Decrease in inventories	**51,859**	1,267
Decrease (increase) in trade and other receivables	**83,932**	(1,174,805)
Increase in amount due from an associate	**(4,702)**	(5,104)
Decrease in amount due from a joint venture	**–**	10,781
Increase in trade and other payables	**69,434**	110,910
Decrease in amounts due to joint ventures	**(9,787)**	(8,866)
Increase (decrease) in contract liabilities	**49,170**	(5,250)
Cash generated from operations	**5,865,539**	3,560,862
Income taxes paid	**(982,235)**	(652,998)
NET CASH FROM OPERATING ACTIVITIES	**4,883,304**	2,907,864

	NOTE	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Investment in an associate		**(714,190)**	–
Purchases of property, plant and equipment		**(228,297)**	(147,799)
Loans to related companies		**(155,099)**	(546,599)
Advances to a joint venture		**(19,000)**	–
Placement of restricted bank deposits		**(11,311)**	(3,329)
Purchases of land use rights		**–**	(6,399)
Purchase of quarry		**(11,115)**	–
Purchases of intangible assets		**(942)**	(1,065)
Repayment from related companies		**701,698**	546,599
Interest received on bank deposits		**173,460**	8,365
Proceeds on disposal of property, plant and equipment		**6,270**	15,847
Withdrawal of restricted bank deposits		**4,685**	32,410
Dividends received from a joint venture		**2,133**	1,527
Dividends received from an associate		**800**	800
Interest received from advance to a joint venture		**807**	1,559
Net cash inflow from disposal of a subsidiary	*46*	**–**	10,830
Repayment from a joint venture		**33,500**	14,000
Repayment of long term receivables from local governments in the PRC		**–**	2,000
Proceeds on disposal of prepaid lease payment		**–**	29
NET CASH USED IN INVESTING ACTIVITIES		**(216,601)**	(71,225)
FINANCING ACTIVITIES			
Repayments of borrowings		**(10,345,023)**	(4,183,627)
Interest paid		**(276,111)**	(226,152)
Dividends paid		**(971,448)**	(242,862)
Dividends paid to non-controlling interests		**(58,000)**	(25,966)
Repayments of lease liabilities		**(8,399)**	–
Interest paid on lease liabilities		**(3,025)**	–
New borrowings raised		**9,929,188**	5,910,412
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,732,818)**	1,231,805
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,933,885**	4,068,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**5,008,691**	940,247
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**7,942,576**	5,008,691

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

New and Amendments to IFRS Standards that are mandatorily effective for the current year

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

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRS Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

New and Amendments to IFRS Standards that are mandatorily effective for the current year (continued)

IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

New and Amendments to IFRS Standards that are mandatorily effective for the current year (continued)

IFRS 16 *Leases* (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities range from 4.35% to 4.9%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	623,769
Lease liabilities discounted at relevant incremental borrowing rates	528,775
Less: Recognition exemption – short-term leases	6,997
Less: Practical expedient – leases with lease term ending with 12 months from the date of initial application	13,393
Less: Variable lease payment not included in the measurement of lease liabilities	399,772
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	108,613
Analysed as	
Current	7,004
Non-current	101,609
	108,613

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16 (including a port of RMB67,698,000 and leased properties of RMB6,469,000)		108,613
Reclassified from prepaid lease payments	*(a)*	724,047
Adjustment on rental deposits on a port at 1 January 2019	*(b)*	22,000
		854,660

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

New and Amendments to IFRS Standards that are mandatorily effective for the current year (continued)

IFRS 16 *Leases* (continued)

As a lessee (continued)

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB22,952,000 and RMB701,095,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB22,000,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Prepaid lease payments – current	22,952	(22,952)	–
Prepaid lease payments – non-current	701,095	(701,095)	–
Prepaid rental – current (included in trade and other receivables)	2,000	(2,000)	–
Long term prepaid rental – non-current	20,000	(20,000)	–
Right-of-use assets	–	854,660	854,660
Total effect on assets	746,047	108,613	108,613
Lease liabilities – current	–	7,004	7,004
Lease liabilities – non-current	–	101,609	101,609
Total effect on liabilities	–	108,613	108,613

There is no impact on lessor's amounting under IFRS 16 for the consolidated financial statements of the Group for the current year.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

New and amendments to IFRS Standards issued but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current and Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 *Effective for annual periods beginning on or after 1 January 2021.*
2 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for annual periods beginning on or after 1 January 2020.*
5 *Effective for annual periods beginning on or after 1 January 2022.*

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRS standards mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards (continued)

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assess whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract
For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to leases of office premises of that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) **(continued)**
Right-of-use assets
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits
Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities
At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) **(continued)**

Lease liabilities (continued)

- amounts expected to be payable by the Group under residual value guarantees; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to 1 January 2019)
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases
Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Refundable rental deposits
Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Allocation of consideration to components of a contract
When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Quarry

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS Standards requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loans to related companies, amount due from an associate, amount due from a joint venture, restricted bank deposits and bank balances and cash) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables. Trade receivables with significant amounts are assessed for ECL individually. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)
(v) Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and bills receivables, other receivables, restricted bank deposits and bank balances and cash are each assessed as a separate group. Loans to related companies, amount due from an associate and amount due from a joint venture are assessed for expected credit losses on an individual basis);
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to joint ventures, lease liabilities and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

Provision for environmental restoration

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and special credit risk are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 42(b) and 24, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is RMB554,241,000 (2018: RMB554,241,000). Details of the recoverable amount calculation are disclosed in note 19.

Fair value measurement of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 18. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions.

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

Changes to these assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 18.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of right-of-use assets and property, plant and equipment are RMB819,682,000, RMB8,077,172,000 (2018: nil and RMB8,598,033,000) respectively, after taking into account the accumulated impairment losses of nil and RMB33,022,000 (2018: nil and RMB33,022,000) in respect of right-of-use assets and property, plant and equipment that have been recognised respectively. Details of the impairment of right-of-use assets and property, plant and equipment are disclosed in notes 33 and 15 respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019 RMB'000	2018 RMB'000
At a point in time recognition:		
Sales of cement products and related products	**11,796,770**	10,737,644
Sales of concrete	**811,946**	592,703
	12,608,716	11,330,347

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has transferred, i.e. when the goods have been transferred out from the Group's warehouse (delivery). Following the delivery, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for unqualified products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement products, concrete and related products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OPERATING SEGMENTS

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

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

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

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2019

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	11,796,770	811,946	12,608,716	–	12,608,716
Inter-segment sales	181,615	14,177	195,792	(195,792)	–
Total	11,978,385	826,123	12,804,508	(195,792)	12,608,716
Segment result	4,545,413	65,526	4,610,939	–	4,610,939
Unallocated income					145,637
Central administration costs, directors' salaries and other unallocated expenses					(143,521)
Share of profits of joint ventures					9,579
Share of loss of associates					(4,833)
Finance costs					(267,721)
Profit before tax					4,350,080

6. OPERATING SEGMENT (continued)

For the year ended 31 December 2018

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	10,737,644	592,703	11,330,347	–	11,330,347
Inter-segment sales	124,052	3,539	127,591	(127,591)	–
Total	10,861,696	596,242	11,457,938	(127,591)	11,330,347
Segment result	3,567,095	30,724	3,597,819	–	3,597,819
Unallocated income					36,670
Central administration costs, directors' salaries and other unallocated expenses					(14,779)
Share of profit of joint ventures					6,800
Share of profit of an associate					1,090
Finance costs					(244,450)
Profit before tax					3,383,150

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

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

6. OPERATING SEGMENT (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2019				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	**(43,011)**	**(778)**	**(118,394)**	**(162,183)**
Interest income on advance to a joint venture	**(786)**	**–**	**–**	**(786)**
Government grants	**(48,826)**	**(50)**	**(91)**	**(48,967)**
Depreciation and amortisation	**1,084,321**	**15,607**	**6,375**	**1,106,303**
Loss (gain) on disposal/write-off of property, plant and equipment	**12,469**	**31**	**(1,080)**	**11,420**
Allowance for credit losses on trade receivables, net	**45,988**	**143**	**(1,073)**	**45,058**
Exchange loss, net	**142**	**–**	**9,940**	**10,082**
Recovering of bad debt previously written off	**(264)**	**(5,246)**	**–**	**(5,510)**
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	**1,357,489**	**2,818**	**8,214**	**1,368,521**

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2018				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(11,356)	(1,254)	(25,295)	(37,905)
Interest income on advance to a joint venture	(1,594)	–	–	(1,594)
Government grants	(94,082)	(289)	(246)	(94,617)
Depreciation and amortisation	850,637	14,571	6,211	871,419
Loss (gain) on disposal/write-off of property, plant and equipment	11,725	1,130	(3,094)	9,761
Impairment loss of property, plant and equipment	5,713	5,704	–	11,417
Impairment loss recognised on goodwill	138,759	–	–	138,759
Allowance for credit losses on trade receivables, net	24,846	441	956	26,243
Exchange (gain) loss, net	(1,650)	(1)	890	(761)
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	130,246	7,662	7,135	145,043

Note: Additions to non-current assets mainly include property, plant and equipment, prepaid lease payments, quarry and intangible assets.

6. OPERATING SEGMENT (continued)

Geographical Information

The Group's revenue by location of customers is principally derived from the PRC. The Group's non-current assets (property, plant and equipment, quarry, prepaid lease payments, goodwill and intangible assets, interest in joint ventures, interests in associates, long term prepaid rental and right-of-use assets) are principally located in PRC.

Information about major customers

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

7. OTHER INCOME

	2019 **RMB'000**	2018 RMB'000
Government grant income *(note 43)*	**48,967**	94,617
Interest income on bank deposits	**162,183**	37,905
Sales of scrap materials	**21,831**	22,431
Transportation fee income	**2,155**	7,652
Rental income, net of outgoings *(note)*	**2,330**	6,476
Interest income on advance to a joint venture	**786**	1,594
	238,252	170,675

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB1,425,000 (2018: RMB4,230,000).

8. OTHER GAINS AND LOSSES

	2019 **RMB'000**	2018 RMB'000
Exchange (loss) gain, net	**(10,082)**	761
Loss on disposal/write-off of property, plant and equipment	**(11,420)**	(9,761)
Gain on disposal of a subsidiary *(note 46)*	**–**	9,051
Impairment loss on property, plant and equipment *(note 15)*	**–**	(11,417)
(Loss) gain on fair value change on investment properties *(note 18)*	**(7,310)**	1,338
Recovery of bad debt previously written off	**5,510**	–
	(23,302)	(10,028)

9. FINANCE COSTS

	2019 **RMB'000**	2018 RMB'000
Interest on bank borrowings	**264,696**	244,450
Interest on lease liabilities	**3,025**	–
	267,721	244,450

10. INCOME TAX EXPENSE

	2019 **RMB'000**	2018 RMB'000
Current tax:		
– PRC enterprise income tax ("EIT")	**1,015,384**	851,429
Withholding tax paid	**79,659**	31,522
Underprovision in prior years in respect of PRC EIT	**2,776**	1,403
Deferred tax *(note 30)*	**22,165**	(1,994)
	1,119,984	882,360

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

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2018: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58, Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2018: 15%) in 2019.

10. INCOME TAX EXPENSE (continued)

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

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

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

	2019 RMB'000	2018 RMB'000
Profit before tax	**4,350,080**	3,383,150
Tax at the PRC EIT rate of 25% (2018: 25%)	**1,087,520**	845,788
Tax effect of expenses not deductible for tax purposes	**73,895**	100,276
Tax effect of different tax rates of subsidiaries	**3,065**	5,990
Tax effect of share of profits of joint ventures	**(2,394)**	(1,700)
Tax effect of share of loss (profit) of associates	**1,209**	(273)
Effect of tax concessions granted to PRC subsidiaries	**(149,771)**	(96,838)
underprovision in prior years	**2,776**	1,403
Tax effect of tax losses not recognised	**160**	919
Utilisation of tax losses previously not recognised	**(8,716)**	(18,774)
Deferred tax on undistributed earnings of PRC subsidiaries	**32,581**	14,047
Withholding tax paid	**79,659**	31,522
Income tax expense for the year	**1,119,984**	882,360

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

Details of movements in deferred tax have been set out in note 30.

11. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment *(note 15)*	**784,281**	807,447
– Quarry *(note 16)*	**285,359**	37,762
– Prepaid lease payments *(note 17)*	**–**	24,722
– Intangible assets *(note 20)*	**1,362**	1,488
– Right-of-use assets *(note 33)*	**35,301**	–
Total depreciation and amortisation	**1,106,303**	871,419
Less: Capitalised in inventories	**(787,789)**	(822,755)
	318,514	48,664
Staff costs, including Directors' remuneration *(note 12(a))*		
Salaries and other benefits	**570,748**	437,613
Retirement benefits scheme contributions	**28,810**	29,930
Total staff costs	**599,558**	467,543
Less: Capitalised in inventories	**(429,470)**	(344,260)
	170,088	123,283
Auditors' remuneration	**5,564**	4,844
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB5,456,000 (2018: RMB4,508,000))	**7,289,590**	6,943,932
Rental payments under operating leases *(note 33)*	**33,748**	40,448

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive are as follows:

Year ended 31 December 2019

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Chief executive and executive director					
Dr. Wu Chung-lih	273	1,574	–	–	1,847
Executive directors					
Mr. Hsu, Shu-ping	214	–	–	–	214
Mr. Chang, Tsai-hsiung	211	–	–	–	211
Mr. Chang, Chen-kuen	260	1,147	–	–	1,407
Mr. Lin, Seng-chang	260	1,066	–	–	1,326
Ms. Wu Ling-ling	272	–	–	–	272
Non-executive director					
Mr. Hsu, Shu-tong	264	138	–	–	402
Independent Non-executive directors					
Mr. Tsim, Tak-lung Dominic	264	–	–	–	264
Mr. Wang Wei	264	–	–	–	264
Mr. Lee Kao-chao	264	–	–	–	264
Dr. Wang Kuo-ming	264	–	–	–	264
	2,810	3,925	–	–	6,735

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Year ended 31 December 2018

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Chief executive and executive director					
Dr. Wu Chung-lih	339	1,450	–	–	1,789
Executive directors					
Mr. Hsu, Shu-ping	209	–	–	–	209
Mr. Chang, Tsai-hsiung	203	–	–	–	203
Mr. Chang, Chen-kuen	333	1,040	–	–	1,373
Mr. Lin, Seng-chang	339	943	–	–	1,282
Ms. Wu Ling-ling	333	–	–	–	333
Non-executive director					
Mr. Hsu, Shu-tong	254	135	–	–	389
Independent Non-executive directors					
Mr. Tsim, Tak-lung Dominic	254	–	–	–	254
Mr. Wang Wei	254	–	–	–	254
Mr. Lee Kao-chao	254	–	–	–	254
Dr. Wang Kuo-ming	254	–	–	–	254
	3,026	3,568	–	–	6,594

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

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

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2018: three directors), details of whose remuneration are set out in note (a) above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**2,765**	2,147

Their emoluments were within the following bands:

	2019	2018
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**2**	0

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

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year: 2018 Final, paid – RMB62 cents (2018: 2017 Final, paid – RMB15.5 cents) per share	**971,448**	242,862

A final dividend for the year ended 31 December 2019 of RMB50 cents per share (2018: RMB62 cents per share) amounting to approximately RMB783,426,000 (2018: RMB971,448,000) has been proposed by the of directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**3,147,340**	2,420,839

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,566,851

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trucks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	4,232,801	11,978,222	374,159	338,157	531	510	16,924,380
Additions	601	9,556	9,276	14,235	–	103,911	137,579
Disposals/write-off	(28,793)	(39,980)	(28,015)	(27,238)	–	–	(124,026)
Disposal of a subsidiary *(note 46)*	(3,853)	(10,172)	(138)	–	–	–	(14,163)
Transfer	15,004	27,020	6,840	2,240	–	(51,104)	–
Transfer from investment properties *(note 18)*	4,900	–	–	–	–	–	4,900
At 31 December 2018	4,220,660	11,964,646	362,122	327,394	531	53,317	16,928,670
Additions	968	7,927	3,386	6,578	–	262,251	281,110
Disposals/write-off	(11,557)	(89,472)	(19,170)	(27,372)	–	–	(147,571)
Transfer	69,176	156,699	15,209	24,044	–	(265,128)	–
At 31 December 2019	4,279,247	12,039,800	361,547	330,644	531	50,440	17,062,209
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	1,019,779	6,109,795	300,149	192,703	178	–	7,622,604
Provided for the year	122,865	649,386	14,695	20,448	53	–	807,447
Impairment loss recognised	4,041	7,116	170	90	–	–	11,417
Eliminated on disposals/write-off	(20,038)	(30,594)	(24,947)	(22,839)	–	–	(98,418)
Disposal of a subsidiary *(note 46)*	(3,150)	(9,139)	(124)	–	–	–	(12,413)
At 31 December 2018	1,123,497	6,726,564	289,943	190,402	231	–	8,330,637
Provided for the year	123,418	623,607	14,424	22,779	53	–	784,281
Eliminated on disposals/write-off	(5,265)	(81,397)	(17,326)	(25,893)	–	–	(129,881)
At 31 December 2019	1,241,650	7,268,774	287,041	187,288	284	–	8,985,037
CARRYING VALUES							
At 31 December 2019	3,037,597	4,771,026	74,506	143,356	247	50,440	8,077,172
At 31 December 2018	3,097,163	5,238,082	72,179	136,992	300	53,317	8,598,033

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2018, the local government of Wuhan province, the PRC, issued a formal notice to inform Wuhan Ya Dong Cement Co., Ltd., ("Wuhan Ya Dong") that a port located in Wuhan province, the PRC will be demolished in 2019. The property, plant and equipment of Wuhan Ya Dong located in the port were then impaired and an impairment loss of RMB5,713,000 had been recognised for the year ended 31 December 2018.

In addition, the management of the Group approved the suspension of the production of Shanghai Ya Li Cement Products Co., Ltd, ("Shanghai Ya Li") as Shanghai Ya Li incurred operating losses in past years. The production-related property, plant and equipment were fully impaired and an impairment loss of RMB5,704,000 had been recognised for the year ended 31 December 2018.

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

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

16. QUARRY

	RMB'000
COST	
At 1 January 2018	353,727
Write-off *(note 1)*	(63,399)
At 31 December 2018	290,328
Additions *(note 2)*	1,086,146
At 31 December 2019	1,376,474
AMORTISATION	
At 1 January 2018	151,991
Provided for the year	37,762
Write-off	(63,399)
At 31 December 2018	126,354
Provided for the year	285,359
At 31 December 2019	**411,713**
CARRYING VALUES	
At 31 December 2019	**964,761**
At 31 December 2018	163,974

Quarry is amortised over the shorter of the estimated useful life or the period of excavation permit of the quarry. Quarry is amortised on a straight-line basis over 5 to 30 years.

Notes:

1. *During the year ended 31 December 2018, upon the local government issuing a formal notice to inform Sichuan Lanfeng for the forfeiture of the remaining land use right attached to the quarry, the management of the Group decided to accelerate the amortisation related to the land use rights of the quarry held by Sichuan Lanfeng amounting to RMB24,363,000 and charged to profit or loss. The related costs amounting to RMB63,399,000 was then written off.*

16. QUARRY (continued)

2. *In addition to the additions of quarry amounted RMB11,115,000, the Group has recognised the provision of mine reserve funds on the Group's quarry located in Jiangsu and Sichuan Provision, the PRC as follows:*

   (a) *On 24 January 2018, the General Office of the Jiangxi Provincial Committee of the Communist Party of China (CPC) issued the implementation plan for the reform of the mining rights transfer system ("Implementation Plan") in Jiangxi Province, the PRC, which regulated the entity which owned mines to estimate the provision of mine reserve fund to be payable to the local government based on the calculation on the mine reserves as at 31 December 2019. In July 2019, Jiangxi Yadong finalised the independent valuer report with the local government on the mine reserves and agreed the amount of the provision of mine reserve fund amounting to RMB931,211,000 which was capitalised into the cost of quarry for amortisation over the remaining estimated useful life of the mine. For the year ended 31 December 2019, the entity was required to accrue the amount of RMB240,000,000 as cost of production of mine which represented the amount of mine excavated times the agreed amount of unit cost for the past years from 30 September 2006 to 31 December 2019 and such amount was charged to the cost of sales of the Group in the current year.*

   (b) *In 2019, the General Office of the Sichuan Provincial Committee of the Communist Party of China (CPC) issued the implementation plan for the reform of the mining rights transfer system ("Implementation Plan 2") in Sichuan Province, the PRC, which regulated the entity which owned mines to estimate the provision of mine reserve fund to be payable to the local government based on the calculation on the mine reserves as at 31 December 2019. In December 2019, Sichuan Yadong finalised the independent valuer report with the local government on the mine reserves and agreed the amount of the provision of mine reserve fund amounting to RMB143,820,000 which was capitalised into the cost of quarry for amortisation over the remaining estimated useful life of the mine. For the year ended 31 December 2019, the entity was required to accrue an amount of RMB35,076,000 as cost of production of mine which represented the amount of mine excavated time the agreed amount of unit cost for the past years from 1 July 2017 to 31 December 2019 and such amount was charged to the cost of sales of the Group in the current year.*

17. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2019 RMB'000	2018 RMB'000
Non-current assets	–	701,095
Current assets	–	22,952
	–	724,047

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

At 31 December 2018, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB65,060,000. The Group is currently in the process of obtaining these land use right certificates.

Upon the application of IFRS 16, the prepaid lease payments of RMB724,047,000 were reclassified to right-of-use assets at 1 January 2019. Detail of which are set out in note 2.

18. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2018	60,391
Additions *(Note)*	32,901
Transfers to property, plant and equipment *(note 15)*	(4,900)
Increase in fair value recognised in profit or loss	1,338
At 31 December 2018	89,730
Decrease in fair value recognised in profit or loss	(7,310)
At 31 December 2019	**82,420**

Note: During the year ended 31 December 2018, the Group's PRC subsidiaries obtained five properties from their trade customers as full settlement of their trade balances and these properties were recognised as investment properties at their market value when the Group completed the property registration process.

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

The fair value of the Group's investment properties at 31 December 2019 have been arrived at on the basis of a valuation carried out on that date by Savills Inc ("Savills"), an independent qualified professional valuer not connected with the Group (2018: Savills). Savills are the members of the Taiwan Institute of Surveyors.

18. INVESTMENT PROPERTIES (continued)

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

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB28,910 (2018: RMB32,020) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB15,900 (2018: RMB16,300) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB18,400 (2018: RMB21,200) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Wuhan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB16,600 (2018: RMB16,500) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

18. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB11,900 (2018: RMB12,700) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB22,000 (2018: RMB22,000) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB10,500 (2018: RMB19,200) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB14,000 (2018: RMB14,600) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.

19. GOODWILL

	2019 RMB'000	2018 RMB'000
COST		
At 1 January and 31 December	**693,000**	693,000
IMPAIRMENT		
At 1 January	**(138,759)**	–
Impairment loss recognised in the year	**–**	(138,759)
At 31 December	**(138,759)**	(138,759)
CARRYING VALUES		
At 31 December	**554,241**	554,241

For the purpose of impairment testing, goodwill has been allocated to individual subsidiary which constitute a cash generating unit ("CGU"). The carrying amount of goodwill allocated to the CGU is as follows:

	2019 RMB'000	2018 RMB'000
Sichuan Lanfeng	**554,241**	554,241

The recoverable amount of the CGU has been determined based on a value in use calculation.

The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2018: 5-year period) and discount rate of 10.6% per annum (2018: 10.6%). Zero growth rate is extrapolated for the cash flows of the CGU beyond the 5-year period (2018: zero growth rate). This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and budgeted costs. Such estimation is based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2019, management of the Group determines that there is no impairment on the CGU. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of CGU's to exceed its recoverable amount.

During the year ended 31 December 2018, the Wuhan Natural Resources And Planning Bureau issued a public notice for closing down the mine in Wuhan province, the PRC in 2020 due to the environmental consideration. Wuhan Yaxin would no longer manufacture limestone after 2020. The directors of the Company had consequently determined to recognise an impairment of goodwill directly related to Wuhan Yaxin amounting to RMB138,759,000 in 2018 as the recoverable amount was less than the carrying amount.

20. INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2018	779	19,779	16,074	36,632
Additions	–	–	1,065	1,065
Disposals	–	–	(73)	(73)
At 31 December 2018	779	19,779	17,066	37,624
Additions	–	–	942	942
Disposals	–	–	(209)	(209)
At 31 December 2019	**779**	**19,779**	**17,799**	**38,357**
ACCUMULATED AMORTISATION				
At 1 January 2018	779	19,387	12,052	32,218
Provided for the year	–	294	1,194	1,488
Disposals	–	–	(73)	(73)
At 31 December 2018	779	19,681	13,173	33,633
Provided for the year	–	98	1,264	1,362
Disposals	–	–	(209)	(209)
At 31 December 2019	**779**	**19,779**	**14,228**	**34,786**
CARRYING VALUES				
At 31 December 2019	**–**	**–**	**3,571**	**3,571**
At 31 December 2018	–	98	3,893	3,991

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

Backlog orders	½ year
Customer relationships	5 years
Software	5 years

21. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investment in joint ventures	**59,059**	59,059
Share of post-acquisition profits and other comprehensive income, net of dividends received	**30,027**	22,581
Accumulated impairment losses	**(32,595)**	(32,595)
	56,491	49,045

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Form of entity	Country of establishment/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2019	Proportion of ownership interest held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activities
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**50%**	50%	**50%**	50%	Provision of transportation services
湖北鑫龍源礦業有限公司 Hubei Xinlongyuan Mining Company Limited ("Hubei Xinlongyuan")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of limestone

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

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

Wuhan Asia

	2019 RMB'000	2018 RMB'000
Current assets	**60,708**	46,004
Non-current assets	**53,091**	56,336
Current liabilities	**(19,758)**	(15,002)

21. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2019 RMB'000	2018 RMB'000
Current financial liabilities	**18,831**	14,798
Cash and cash equivalents	**47,691**	21,973
Revenue	**151,852**	121,575
Profit and total comprehensive income for the year	**10,969**	10,168
Dividends received from the joint venture during the year	**2,133**	1,527
The above profit for the year include the following:		
Depreciation and amortisation	**3,264**	3,558
Interest income	**367**	121
Income tax expense	**3,712**	3,555

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

	2019 RMB'000	2018 RMB'000
Net assets of Wuhan Asia	**94,041**	87,338
Proportion of the Group's ownership interest in Wuhan Asia	**50%**	50%
Carrying amount of the Group's interest in Wuhan Asia	**47,021**	43,669

21. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan

	2019 RMB'000	2018 RMB'000
Current assets	**18,820**	13,349
Non-current assets	**39,631**	44,803
Current liabilities	**(34,775)**	(44,712)

The above amounts of assets and liabilities include the following:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**6,751**	1,214
Current financial liabilities (excluding trade and other payables and provisions)	**(1,073)**	(1,261)
Revenue	**56,962**	39,009
Profit and total comprehensive income for the year	**10,236**	4,289
Dividends received from the joint venture during the year	**–**	–
The above profit for the year include the following:		
Depreciation and amortisation	**5,906**	4,371
Interest expense	**825**	1,274
Income tax expense	**4,092**	423

21. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan (continued)

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

	2019 RMB'000	2018 RMB'000
Net assets of Huibei Xinlongyuan	**23,676**	13,440
Proportion of the Group's ownership interest in Hubei Xinlongyuan	**40%**	40%
Goodwill	**32,595**	32,595
Impairment losses	**(32,595)**	(32,595)
Carrying amount of the Group's interest in Huibei Xinlongyuan	**9,470**	5,376

22. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in associates	**726,190**	12,000
Share of post-acquisition (loss) profit and other comprehensive (expense) income	**(1,068)**	4,565
	725,122	16,565

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

Name of associate	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2019	Proportion of ownership interest held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activities
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of concrete
遠鼎實業(上海)有限公司 Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	N/A	**40%**	N/A	Property development

22. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS Standards.

The associates are accounted for using the equity method in these consolidated financial statements.

Hubei Zhongjian

	2019 RMB'000	2018 RMB'000
Current assets	**108,448**	85,595
Non-current assets	**1,242**	2,568
Current liabilities	**(63,491)**	(46,751)
Revenue	**149,466**	97,570
Profit and total comprehensive income for the year	**6,787**	2,725
Dividends received from an associate during the year	**800**	800

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

	2019 RMB'000	2018 RMB'000
Net assets of Hubei Zhongjian	**46,199**	41,412
Proportion of the Group's ownership interest in Hubei Zhongjian	**40%**	40%
Carrying amount of the Group's interest in Hubei Zhongjian	**18,480**	16,565

22. INTERESTS IN ASSOCIATES (continued)

Yuan Ding

On 18 February 2019, the Group invested an amount of RMB500,000,000 into Yuan Ding, which represented 40% equity interest of Yuan Ding. The Group is able to exercise significant influence over Yuan Ding because it has the power to appoint two out of the seven directors in Yuan Ding under the provisions stated in the articles of association of Yuan Ding. On 6 December 2019, the Group further injected an amount of RMB214,190,000 into Yuan Ding which were proportionate to each investor's equity interests in Yuan Ding. The equity interest of the Group in Yuan Ding remain unchanged as at 31 December 2019.

	2019 RMB'000
Current assets	**443,855**
Non-current assets	**1,218,902**
Current liabilities	**(29,502)**
Revenue	**–**
Loss and total comprehensive expense for the year	**(18,868)**
Dividends received from an associate for the year	**–**

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

	2019 RMB'000
Net assets of Yuan Ding	**1,633,255**
Proportion of the Group's ownership interest in Yuan Ding	**40%**
Goodwill	**53,340**
Carrying amount of the Group's interest in Yuan Ding	**706,642**

23. INVENTORIES

	2019 RMB'000	2018 RMB'000
Spare parts and ancillary materials	**213,591**	295,296
Raw materials	**264,050**	222,854
Work in progress	**81,192**	102,930
Finished goods	**115,547**	105,159
	674,380	726,239

24. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables from contracts with customers	**1,337,905**	1,273,519
Less: Allowance for credit losses	**(232,032)**	(188,417)
	1,105,873	1,085,102
Bills receivable	**2,369,794**	2,638,644
Other receivables	**58,483**	65,460
Advances to suppliers	**382,985**	260,330
Deposits	**16,136**	18,236
Prepayments	**3,118**	2,748
Value-added tax recoverable	**26,251**	34,387
	3,962,640	4,104,907

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

24. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	Cements		Concrete		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**387,161**	413,459	**175,349**	180,346	**562,510**	593,805
91–180 days	**126,584**	135,626	**143,371**	107,908	**269,955**	243,534
181–365 days	**3,985**	4,256	**140,137**	84,724	**144,122**	88,980
Over 365 days	**53,025**	89,209	**76,261**	69,574	**129,286**	158,783
	570,755	642,550	**535,118**	442,552	**1,105,873**	1,085,102

The following is an aged analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers:

	Cements		Concrete		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**1,156,522**	1,688,341	**8,191**	4,793	**1,164,713**	1,693,134
91–180 days	**1,190,216**	936,428	**2,000**	3,332	**1,192,216**	939,760
181–365 days	**12,865**	5,750	**–**	–	**12,865**	5,750
	2,359,603	2,630,519	**10,191**	8,125	**2,369,794**	2,638,644

As at 31 December 2019, total bills received amounting to RMB2,369,794,000 (2018: RMB2,638,644,000) and all bills received by the Group are with a maturity period of less than one year.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB192,195,000 (2018: RMB182,360,000) and RMB126,525,000 (2018: RMB114,720,000) for cement and concrete segment respectively, which are past due as at the reporting date. Out of the past due balances, approximately RMB53,025,000 (2018: RMB89,209,000) and RMB76,261,000 (2018: RMB69,574,000) for cement and concrete segment respectively has been past due 90 days or more and is not considered as in default as the Group holds collateral over part of these balances in which the estimated value of collateral exceeds the overdue trade receivables.

Details of impairment assessment of trade and other receivables are set out in note 42.

25. AMOUNTS/LOANS WITH RELATED COMPANIES

(a) Amount due from an associate

	2019 RMB'000	2018 RMB'000
Hubei Zhongjian (trade related)	**15,959**	11,257

The amount was unsecured, non-interest bearing and aged within the credit term of 90 days.

(b) Amount due from a joint venture

	2019 RMB'000	2018 RMB'000
Hubei Xinlongyuan – non-trade related	**10,014**	24,535

The amount was unsecured, interest-bearing at 4.47% (2018: 4.57%) per annum and repayable on demand.

(c) Amounts due to joint ventures

	2019 RMB'000	2018 RMB'000
Wuhan Asia (trade related)	**3,707**	15,144
Hubei Xinlongyuan (trade related)	**1,856**	206
	5,563	15,350

The amounts were unsecured, non-interest bearing and aged within the credit term of 90 days.

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

(d) Loans to related companies

	2019 RMB'000	2018 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	–	431,900
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	–	114,699
	–	546,599

FENC

On 3 May 2018, the Company agreed to make available an aggregate principal sum of RMB205,000,000 (the "Loan 1") to FENC, of which the whole balance have been drawn down by FENC on 3 May 2018. According to the terms of the loan agreement, (i) the Loan 1 principal amount of RMB205,000,000 shall be repaid in full on or before 2 May 2019 (the "Repayment Date 1"); or (ii) FENC may repay the Loan 1 or any part of the Loan 1 at any time before the Repayment Date 1. The Loan 1 was interest free. On 22 February 2019, FENC early repaid the Loan 1 of RMB205,000,000.

On 8 May 2018, the Company agreed to make available an aggregate principal sum of RMB7,800,000 (the "Loan 2") to FENC, of which the whole balance have been drawn down by FENC on 8 May 2018. According to the terms of the loan agreement, (i) the Loan 2 principal amount of RMB7,800,000 shall be repaid in full on or before 7 May 2019 (the "Repayment Date 2"); or (ii) FENC may repay the Loan 2 or any part of the Loan 2 at any time before the Repayment Date 2. The Loan 2 was interest free. On 27 February 2019, FENC early repaid the Loan 2 of RMB7,800,000.

On 16 November 2018, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 3") to FENC, of which the whole balance have been drawn down by FENC on 16 November 2018. According to the terms of the loan agreement, (i) the Loan 3 principal amount of RMB219,100,000 shall be repaid in full on or before 15 November 2019 (the "Repayment Date 3"); or (ii) FENC may repay the Loan or any part of the Loan 3 at any time before the Repayment Date 3. The Loan 3 was interest free. On 22 February 2019, FENC early repaid the Loan 3 of RMB219,100,000.

On 9 September 2019, the Company agreed to make available an aggregate principal sum of RMB40,400,000 (the "Loan 4") to FENC, of which the whole balance have been drawn down by FENC on 11 November 2019. According to the terms of the loan agreement, (i) the Loan 4 principal amount of RMB40,400,000 shall be repaid in full on or before 10 September 2020 (the "Repayment Date 4"); or (ii) FENC may repay the Loan or any part of the Loan 4 at any time before the Repayment Date 4. The Loan 4 was interest free. On 14 November 2019, FENC early repaid the Loan 4 of RMB40,400,000.

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

(d) Loans to related companies (continued)

Yuan Ding

On 19 December 2017, the Company agreed to make available an aggregate principal sum of RMB44,699,000 (the "Loan 5") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 16 January 2018. According to the terms of the loan agreement, (i) the Loan 5 principal amount of RMB44,699,000 shall be repaid in full on or before 15 January 2019 (the "Repayment Date 5"); or (ii) Yuan Ding may repay the Loan 5 at a time later than the Repayment Date 5, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 5 or any part of the Loan 5 at any time before the Repayment Date 5. The Loan 5 was interest free. On 11 January 2019, Yuan Ding repaid the Loan 5 of RMB44,699,000.

On 23 January 2018, the Company agreed to make available an aggregate principal sum of RMB70,000,000 (the "Loan 6") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 23 January 2018. According to the terms of the loan agreement, (i) the Loan 6 principal amount of RMB70,000,000 shall be repaid in full on or before 22 January 2019 (the "Repayment Date 6"); or (ii) Yuan Ding may repay the Loan 6 at a time later than the Repayment Date 6, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 6 or any part of the Loan 6 at any time before the Repayment Date 6. The Loan 6 was interest free. On 16 January 2019, Yuan Ding repaid the Loan 6 of RMB70,000,000.

On 26 November 2018, the Company agreed to make available an aggregate principal sum of RMB44,699,000 (the "Loan 7") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 11 January 2019. According to the terms of the loan agreement, (i) the Loan 7 principal amount of RMB44,699,000 shall be repaid in full on or before 10 January 2020 (the "Repayment Date 7"); or (ii) Yuan Ding may repay the Loan 7 at a time later than the Repayment Date 7, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 7 or any part of the Loan 7 at any time before the Repayment Date 7. The Loan 7 was interest free. On 29 March 2019, Yuan Ding repaid the Loan 7 of RMB44,699,000.

On 26 November 2018, the Company agreed to make available an aggregate principal sum of RMB70,000,000 (the "Loan 8") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 16 January 2019. According to the terms of the loan agreement, (i) the Loan 8 principal amount of RMB70,000,000 shall be repaid in full on or before 15 January 2020 (the "Repayment Date 8"); or (ii) Yuan Ding may repay the Loan 8 at a time later than the Repayment Date 8, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 8 or any part of the Loan 8 at any time before the Repayment Date 8. The Loan 8 was interest free. On 12 December 2019, Yuan Ding repaid the Loan 8 of RMB70,000,000.

During the year ended 31 December 2019, the Group invested in aggregate RMB714,190,000 into Yuan Ding which represented 40% equity interest in Yuen Ding and accounted for it as an associate. Detail are set out in note 22.

26. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 2.68% (2018: 0.01% to 2.03%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB7,080,717,000 (2018: RMB4,030,773,000) and approximately RMB876,333,000 (2018: RMB977,408,000), respectively.

During 2018, the Group entered into a long term supply contract with China Railway Material Group Co., Ltd. According to the agreement, the Group is required to place RMB1,421,000 restricted bank deposit in its own bank account as guarantee until the expiry of supply contract in 2020. The deposit will mature in 2020. Thus, it was classified as non-current assets as at 31 December 2018 and reclassified to current restricted bank deposits as at 31 December 2019.

As at 31 December 2019, the remaining deposits in its own bank account amounting to RMB13,082,000 (2018: RMB6,456,000) have been restricted by banks for withdrawal as overseas purchase security which will be released within one year and therefore are classified as current assets.

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

	2019 **RMB'000**	2018 RMB'000
Denominated in United States dollars ("USD")	**4,312,621**	3,012,934
Denominated in Hong Kong dollars ("HKD")	**1,772**	40
Denominated in Singapore dollars ("SGD")	**647**	608

27. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**412,453**	392,771
Accruals	**149,654**	147,326
Mine reserve fund payable *(note 16)*	**1,075,031**	–
Staff wages and welfare payable	**141,970**	81,121
Value added tax payable	**156,025**	157,644
Construction cost payable	**68,839**	16,026
Other taxes payable	**21,224**	19,056
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**76,189**	101,578
	2,174,123	988,260

The following is an aged analysis of trade payables presented based on the invoice dates:

	2019 RMB'000	2018 RMB'000
0–90 days	**375,252**	361,572
91–180 days	**15,900**	11,431
181–365 days	**10,911**	3,909
Over 365 days	**10,390**	15,859
	412,453	392,771

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

28. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Receipt in advance for sales of cement products and related products	**183,938**	130,027
Receipt in advance for sales of concrete	**1,587**	6,328
	185,525	136,355

As at 1 January 2018, the contract liabilities amounted to RMB141,605,000.

28. CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of cement products and related products RMB'000	Sales of concrete RMB'000	Total RMB'000
For the year ended 31 December 2019			
Revenue recognised that was included in the contract liability balance at the beginning of the year	**130,027**	**6,328**	**136,355**
For the year ended 31 December 2018			
Revenue recognised that was included in the contract liability balance at the beginning of the year	133,892	7,713	141,605

Typical payment term which impact on the amount of contract liabilities recognised is as follows:

The Group enters into goods supply contracts with customers and receives advance payments from customers which are interest-free. When the Group receives a deposit before the delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits.

29. BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank borrowings – unsecured	**6,214,309**	6,630,144

The carrying amounts of the above bank borrowings are repayable:

	2019 RMB'000	2018 RMB'000
Within one year	**4,770,215**	2,475,485
Within a period of more than one year but not exceeding two years	**1,444,094**	4,154,659
	6,214,309	6,630,144
Less: Amounts due within one year shown under current liabilities	**(4,770,215)**	(2,475,485)
Amounts shown under non-current liabilities	**1,444,094**	4,154,659

29. BORROWINGS (continued)

The bank borrowings carrying variable interest rates with reference to the London Interbank Offered Rate ("LIBOR") or TAIFX3 Offer Rate ("TAIFX3") for USD borrowings (2018: the Benchmark Interest Rate (基準利率) or Hong Kong Interbank Offered Rate ("HIBOR") for RMB borrowings and LIBOR for USD borrowings) are as follows:

	2019		2018	
	Carrying amount RMB'000	**Interest rates**	Carrying amount RMB'000	Interest rates
Fixed-rate RMB bank borrowings	**1,940,000**	**3.6% to 3.85%**	129,550	3.92% to 4.35%
Fixed-rate USD bank borrowings	**3,778,999**	**2.49% to 3.73%**	–	N/A
Variable-rate RMB bank borrowings	**–**	**–**	3,477,354	90% to 100% of Benchmark Interest Rate (基準利率) or HIBOR plus margin of 0.70% to 1.10%
Variable-rate USD bank borrowings	**495,310**	**LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%**	3,023,240	LIBOR plus margin of 0.70% to 1.35%
	6,214,309		6,630,144	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 2.43% to 4.75% (2018: 2.60% to 5.50%) per annum.

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

	2019 RMB'000	2018 RMB'000
USD	**4,274,309**	3,023,240

30. DEFERRED TAX

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**82,222**	72,615
Deferred tax liabilities	**(70,555)**	(38,783)
	11,667	33,832

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

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(16,936)	(2,127)	38,966	4,028	(8,637)	16,544	31,838
Withholding tax paid	–	–	–	–	31,522	–	31,522
Credit (charge) to profit or loss	837	221	6,561	2,385	(45,569)	6,037	(29,528)
At 31 December 2018	(16,099)	(1,906)	45,527	6,413	(22,684)	22,581	33,832
Withholding tax paid	–	–	–	–	79,659	–	79,659
Credit (charge) to profit or loss	809	221	11,265	(6,413)	(112,240)	4,534	(101,824)
At 31 December 2019	**(15,290)**	**(1,685)**	**56,792**	**–**	**(55,265)**	**27,115**	**11,667**

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

At 31 December 2019, the Group has unused tax losses of approximately RMB61,228,000 (2018: RMB124,029,000) available for offset against future profits. A deferred tax asset has been recognised in respect of nil (2018: RMB23,300,000) of such losses. No deferred tax asset has been recognised in respect of remaining RMB61,228,000 (2018: RMB100,729,000) due to the unpredictability of future profit stream.

30. DEFERRED TAX (continued)

The unused tax losses will expire as follows:

	2019 RMB'000	2018 RMB'000
2019	–	9,340
2020	**15,041**	27,654
2021	**6,964**	33,979
2022	**12,054**	20,720
2023	**26,529**	32,336
2024	**640**	–
	61,228	124,029

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, deferred tax liability has been provided in respect of RMB1,105,300,000 (2018: RMB453,680,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associates and joint ventures in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2019, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, Wuhan Asia, Hubei Xinlongyuan and Hubei zhongjian in respect of which deferred tax liability has not been provided for were approximately RMB9,417,789,000 (2018: RMB7,457,441,000), RMB50,805,000 (2018: RMB45,290,000), RMB6,910,000 (2018: nil) and RMB14,258,000 (2018: RMB9,750,000), respectively.

31. LONG TERM PREPAID RENTAL

	2019 RMB'000	2018 RMB'000
Prepaid rental to Taizhou Yongan Port Co., Ltd. *(note)*	–	22,000
Less: Amounts due within one year (included in trade and other receivables)	–	(2,000)
Amounts due after one year	–	20,000

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

As at 31 December 2018, the outstanding prepaid balance was RMB22 million.

Upon the application of IFRS 16, the long-term prepaid rental of RMB22 million were reclassified to right-of-use assets at 1 January 2019. Details are set out in note 2 of the consolidation financial statements.

32. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2018	26,770
Provision for the year	4,508
At 31 December 2018	31,278
Provision for the year	5,456
At 31 December 2019	**36,734**

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. After taking into account the quantity of limestone excavated and the timing of environment restoration in between 2019 to 2047, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Addition in provision is recognised as cost of sales of the related limestone excavated and sold.

33. RIGHT-OF-USE ASSETS

	Ports RMB'000	Leased properties RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2019				
Carrying amounts	123,491	7,122	724,047	854,660
As at 31 December 2019				
Carrying amounts	115,660	3,324	700,698	819,682
For the year ended 31 December 2019				
Depreciation charge	7,831	4,121	23,349	35,301
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	–	2,742	–	2,742
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	–	40	–	40
Variable lease payments not included in the measurement of lease liabilities	8,957	22,009	–	30,966
Total cash outflow for leases	7,254	37,918	–	45,172
Additions to right-of-use assets	–	323	–	323

33. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases various offices, ports and lands for its operations. Lease contracts are entered into for fixed term of` 1 year to 13 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB64,154,000 (2018: RMB65,060,000) in which the Group is in the process of obtaining.

The Group regularly entered into short-term leases for offices and dormitories. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 11.

Leases of ports are either with only fixed lease payments or contain variable lease payment that are based on RMB6.5 to RMB9 per tonne of unloading and RMB1.5 per tonne of loading and minimum annual lease payment that are fixed over the lease term. Lease of trucks only contain variable lease payment based on the actual usage. The payment terms are common in trucks in PRC where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2019:

	Number of ports/trucks RMB'000	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Ports with variable lease payments	2	7,254	8,992	16,246
Trucks without fixed lease payments	7	–	21,974	21,974
	9	7,254	30,966	38,220

The overall financial effect of using variable payment terms is that higher rental costs are incurred by ports with higher unloading and loading and trucks with higher usage. Variable rent expenses are expected to continue to represent a similar proportion of total rental cash outflow for leases in futures years.

34. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**4,512**
Within a period of more than one year but not more than two years	**2,947**
Within a period of more than two years but not more than five years	**8,952**
Within a period of more than five years	**84,126**
	100,537
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,512)**
Amount due for settlement after 12 months shown under non-current liabilities	**96,025**

35. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,566,851,000	156,685	140,390

36. OPERATING LEASES

The Group as lessee

	2018 RMB'000
Minimum lease payments paid/payable under operating leases during the year	27,918
Contingent rents paid/payable under operating leases during the year *(note)*	12,530
	40,448

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

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

	2018 RMB'000
Within one year	22,463
In the second to fifth years inclusive	85,320
After five years	515,986
	623,769

In 2019, operating lease payments represent rental payable by the Group for certain of its port facilities and office premises. Leases are negotiated for terms ranging from 1 to 13 years.

In 2018, operating lease payments represent rental payable by the Group for certain of its port facilities, office premises and trucks. Leases are negotiated for terms ranging from 1 to 20 years.

36. OPERATING LEASES (continued)

The Group as lessor

Gross rental income earned was RMB3,755,000 and RMB10,706,000 for the years ended 31 December 2019 and 2018, respectively. The Group leases its plant, property and machinery under operating lease arrangements. The properties are expected to generate rental yields of based on the cost on an ongoing basis.

Minimum lease payments receivable on leases are as follows:

	2019 RMB'000
Within one year	1,075
In the second year	1,104
In the third year	718
In the fourth year	448
In the fifth year	420
After five years	1,050
	4,815

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

	2018 RMB'000
Within one year	617
In the second to fifth years inclusive	1,824
	2,441

37. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**36,138**	17,361
– Mining rights	**–**	204
– Capital expenditure in respect of establishment of a joint venture *(Note)*	**–**	500,000
	36,138	517,565

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

On 8 October 2019, a new agreement was entered into by the Parties and the Development Project has commenced its foundation work but the Parties agreed not to form the Joint Venture Company and the Group agreed to inject RMB500 million to Yuan Ding for the Development Projects. During the year ended 31 December 2019, the Group invested in aggregate RMB714,190,000 into Yuan Ding which represented 40% equity interest in Yuan Ding and accounted for it as an associate. Details are set out in note 22.

38. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to a written resolution of all the shareholders on 13 December 2007, a share option scheme ("Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company. During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,549,000).

As at 31 December 2019 and 2018, no options remained outstanding under Pre-IPO Share Option Scheme.

(b) Share Option Scheme

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

As at 31 December 2019 and 2018, no options have been granted under the Share Option Scheme.

39. RETIREMENT BENEFITS SCHEME

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

The total expense charged to profit or loss of approximately RMB28,810,000 (2018: approximately RMB29,930,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2019, contributions of RMB5,597,000 (2018: RMB1,312,000) as at 31 December 2019 have not been paid over to the schemes.

40. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in note 25, the Group had also entered into the following significant transactions with related parties during the year.

	2019 RMB'000	2018 RMB'000
Joint ventures:		
Wuhan Asia		
– Transportation expenses	**152,121**	121,332
Hubei Xinlongyuan		
– Purchase of goods	**23,055**	20,964
– Interest income	**786**	1,594
Associate:		
Hubei Zhongjian		
– Sales of goods	**32,231**	21,455
– Transportation expenses	**–**	1,286
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	**14,990**	54,200
– Administration expenses	**6,207**	–

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**6,735**	6,594

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

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 29, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

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

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
At amortised cost	**11,517,202**	9,388,165
Financial liabilities		
Amortised cost	**8,088,316**	7,328,784

b. Financial risk management objectives and policies

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

Market risks

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

(i) *Currency risk*

Certain bank balances and cash (note 26), restricted bank deposits (note 26) and bank borrowings (note 29) of the Group are denominated in USD, HKD and SGD, being currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% (2018: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2018: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthened 10% (2018: 10%) against the relevant currency. For a 10% (2018: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit post-tax and the balances below would be negative.

	Impact of USD		Impact of HKD		Impact of SGD	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**(3,777)**	1,085	**(177)**	(4)	**(54)**	(50)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (note 26), amount due from a joint venture (note 25) and lease liabilities (note 34). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 26), restricted bank deposits (note 26) variable-rate bank borrowings (note 29). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the LIBOR or TAIFX3 (2018: Benchmark Interest Rate (基準利率), LIBOR or HIBOR) arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2019	2018
	RMB'000	RMB'000
Interest income		
Financial assets at amortised cost	**162,969**	39,499

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Interest rate risk (continued)

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost	**264,696**	244,450

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease in interest rate of variable-rate bank balances and a 50 basis points (2018: 50 basis points) increase or decrease in interest rate of variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances

If interest rate had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB3,433,000 (2018: RMB3,990,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Borrowings

If interest rate had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB2,477,000 (2018: RMB32,328,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Lease liabilities

If all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease by approximately RMB153,000 if interest rate had been 50 basis points higher and increase by approximately RMB174,000 if interest rate had been 50 basis points lower. This is mainly attributable to the Group's exposure to interest rates on its variable-rate lease liabilities balances.

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

Credit risk and impairment assessment

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with trade receivables is mitigated because they are secured over properties in which the estimated fair value of the properties exceeds the carrying amounts of trade receivables.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. In addition, the Group has applied the simplified approach in IFRS 9 (2018: simplified approach) to measure the credit loss allowance at lifetime ECL. Except for trade receivables with significant outstanding and special credit risk balances which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bills receivables

The credit risk on bills receivables is minimal since the settlement parties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other receivables

The Group has taken into account the financial position of the counterparties and based on the track record of regular settlements, the expected credit losses on other receivables are considered to be insignificant.

Loans to related companies/amounts due from an associate and a joint venture

No allowances for credit losses was made to these balances since the Group consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

Restricted bank deposits/bank balances and cash

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

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances and special credit risk with gross carrying amounts of approximately RMB283,324,000 as at 31 December 2019 (2018: RMB265,200,000) were assessed individually and it included trade balances of RMB129,286,000 in which the Group holds collateral with an estimated value exceeding the overdue trade balances.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount

	2019		2018	
	Average loss rate	**Trade receivables RMB'000**	Average loss rate	Trade receivables RMB'000
0–90 days	**2%**	**525,437**	4%	562,375
91–180 days	**6%**	**251,785**	6%	254,948
181–365 days	**15%**	**159,360**	21%	112,221
Over 365 days	**44%**	**118,381**	57%	78,775
		1,054,963		1,008,319

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information, which included the Gross Domestic Product of the PRC and the industry sector index in the coming financial year, that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided RMB101,490,000 (2018: RMB78,405,000) impairment allowance for trade receivables, based on the provision matrix. In addition, impairment allowance of RMB130,542,000 (2019: RMB110,012,000) was made on debtors with significant balances and special credit risk.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2018	–	162,179	162,179
Impairment loss recognised	78,405	–	78,405
Impairment loss reversed	–	(52,162)	(52,162)
Write-off	–	(5)	(5)
As at 31 December 2018	78,405	110,012	188,417
Impairment loss recognised	23,085	21,973	45,058
Write-off	–	(1,443)	(1,443)
As at 31 December 2019	101,490	130,542	232,032

The impairment loss of RMB45,058,000 was recognised on trade receivables for the year ended 31 December 2019 was attributable to the increase in credit risk since initial recognition.

As at 31 December 2019, the Group writes off a trade receivable with the gross amount of RMB1,443,000 (2018: RMB515,000) when there is information indicating that the debtor is in liquidation.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2019 RMB'000
2019							
Trade and other payables	-	1,868,444	-	-	-	1,868,444	1,868,444
Amounts due to joint ventures	-	5,563	-	-	-	5,563	5,563
Variable interest rate bank borrowings	3.30	4,080	12,241	501,158	-	517,479	495,310
Fixed interest rate bank borrowings	3.06	281,478	4,611,301	954,345	-	5,847,124	5,718,999
Lease liabilities		3,042	6,048	29,797	156,460	195,347	100,537
		2,162,607	4,629,590	1,485,300	156,460	8,433,957	8,188,853

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2019 RMB'000
2018						
Trade and other payables	–	683,290	–	–	683,290	683,290
Amounts due to joint ventures	–	15,350	–	–	15,350	15,350
Variable interest rate bank borrowings	4.47	623,334	1,767,306	4,410,174	6,800,814	6,500,594
Fixed interest rate bank borrowings	3.09	68,869	61,701	–	130,570	129,550
		1,390,843	1,829,007	4,410,174	7,630,024	7,328,784

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

43. GOVERNMENT GRANT INCOME

	2019 **RMB'000**	2018 RMB'000
Incentive subsidies *(note a)*	**16,279**	3,710
Value-added tax refund *(note b)*	**27,936**	87,682
Others *(note c)*	**4,752**	3,225
	48,967	94,617

Notes:

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

b. Certain PRC subsidiaries of the Group received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted quarterly when the total reusable materials consumed were more than 20% or 40% of the total materials consumed for production. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval being obtained from the relevant PRC authority.

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

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities *(note 34)* RMB'000	**Borrowings** *(note 29)* RMB'000	**Dividend payable** RMB'000	**Interest payable** RMB'000	**Total** RMB'000
At 1 January 2018	–	4,903,359	–	–	4,903,359
Interest expenses *(note 9)*	–	–	–	244,450	244,450
Dividend declared	–	–	268,828	–	268,828
Financing cash flow	–	1,726,785	(268,828)	(226,152)	1,231,805
At 31 December 2018	–	6,630,144	–	18,298	6,648,442
Adjustment upon application of IFRS 16	108,613	–	–	–	74,167
At 1 January 2019	**108,613**	**6,630,144**	**–**	**18,298**	**6,757,055**
Interest expenses *(note 9)*	**3,025**	**–**	**–**	**264,696**	**267,721**
Dividend declared	**–**	**–**	**1,029,448**	**–**	**1,029,448**
Financing cash flow	**(11,424)**	**(415,835)**	**(1,029,448)**	**(276,111)**	**(1,732,818)**
New leases entered	**323**	**–**	**–**	**–**	**323**
At 31 December 2019	**100,537**	**6,214,309**	**–**	**6,883**	**6,321,729**

45. SUBSIDIARIES

(a) General Information of subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2019	2018	Proportion of voting power held by the company 2019	2018	Principal activities
*Perfect Industrial Holdings Pte., Ltd. ("Perfect Industrial")	British Virgin Islands	Ordinary	US$9,719,535	**100%**	100%	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$838,043,787	**99.99%**	99.99%	**100%**	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	**99.99%**	99.99%	**100%**	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$356,104,433	**95%**	95%	**67%**	92%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$36,140,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd.[1]	PRC	Ordinary	RMB12,500,000	**97.39%**	97.39%	**100%**	100%	Provision of transportation services
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$204,191,400	**99.99%**	99.99%	**100%**	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	**94.99%**	94.99%	**100%**	100%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	**72.49%**	72.49%	**67%**	75%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

45. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2019	2018	Proportion of voting power held by the company 2019	2018	Principal activities
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$154,800,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$368,340,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$4,100,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	US$86,170,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd.[2]	PRC	Ordinary	RMB13,000,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd.[2]	PRC	Ordinary	US$3,500,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$35,530,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete

45. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2019	2018	Proportion of voting power held by the company 2019	2018	Principal activities
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3]	PRC	Ordinary	RMB90,000,000	**89.99%**	89.99%	**67%**	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co.,Ltd.[2]	PRC	Ordinary	USD16,000,000	**99.99%**	99.99%	**100%**	100%	Sale and storage of cement product
四川蘭豐水泥有限公司 Sichuan Lanfeng Cement Co., Ltd.[2]	PRC	Ordinary	RMB600,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川蘭豐建材有限公司 Sichuan Lanfeng Construction Material Co., Ltd.[2]	PRC	Ordinary	RMB20,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
瑞昌亞東新材料有限公司 Ruichang Yadong New Material Co., Ltd.[1] ("Ruichang Yadong")	PRC	Ordinary	RMB2,000,000	**99.99%**	–	**100%**	–	Construction material and product

[1] *These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise and Ruichang Yadong was newly established in 2019.*
[2] *These companies were established in the PRC in the form of wholly foreign-owned enterprise.*
[3] *This company was established in the PRC in the form of foreign-invested enterprise.*

* *This subsidiary is directly held by the Company and the remaining subsidiaries are held by Perfect Industrial.*

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

45. SUBSIDIARIES (continued)

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

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

Name of subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting right held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	**5%**	5%	**33%**	8%	**73,102**	67,465	**290,336**	270,265
Individually immaterial subsidiaries with non-controlling interests						**9,654**	12,486	**88,857**	84,172
						82,756	79,951	**379,193**	354,437

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

Jiangxi Ya Dong Cement Corporation Ltd.

	2019 RMB'000	2018 RMB'000
Current assets	**3,690,311**	2,898,171
Non-current assets	**3,124,340**	3,291,295
Current liabilities	**(986,694)**	(765,689)
Non-current liabilities	**(21,234)**	(18,475)
Equity attributable to owners of the Company	**5,516,387**	5,135,037
Non-controlling interests	**290,336**	270,265
Revenue	**5,206,562**	4,942,539
Expenses	**(3,089,512)**	(3,593,226)
Profit for the year	**1,462,050**	1,349,313
Profit attributable to owners of the Company	**1,388,948**	1,281,848
Profit attributable to non-controlling interests	**73,102**	67,465
Dividends paid to non-controlling interests	**53,031**	24,091
Net cash inflow from operating activities	**2,079,617**	1,515,522
Net cash outflow from investing activities	**(417,096)**	(469,884)
Net cash outflow from financing activities	**(1,202,880)**	(1,094,597)
Net cash inflow (outflow)	**459,641**	(48,959)

46. DISPOSAL OF A SUBSIDIARY

On 26 July 2018, the Group entered into a sale agreement to dispose of a non-wholly owned subsidiary, Shanghai Yafu, which carried out the Group's manufacturing and sales of concrete to an independent third party at a consideration of approximately RMB29,241,000. The disposal was completed on the same date which control of Shanghai Yafu passed to the acquirer.

The net assets of Shanghai Yafu at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	1,750
Other receivables	300
Bank balances and cash	18,591
Other payables and accruals	(271)
	20,370
Gain on disposal recognised in profit or loss *(note 8)*	9,051
Cash consideration	29,421

	RMB'000
Net cash inflow arising on disposal	
Cash consideration	29,421
Less: bank balances and cash disposed of	(18,591)
	10,830

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSET		
Unlisted investments in subsidiaries	**8,231,182**	7,731,182
CURRENT ASSETS		
Amounts due from subsidiaries	**–**	546,599
Interest receivables	**998**	25,524
Bank balances and cash	**4,321,214**	3,018,737
	4,322,212	3,590,860
CURRENT LIABILITIES		
Bank borrowings	**4,770,215**	2,205,935
Other payables	**8,978**	18,126
Loans from subsidiaries *(Note)*	**1,151,461**	–
	5,930,654	2,224,061
NET CURRENT (LIABILITIES) ASSETS	**(1,608,442)**	1,366,799
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,622,740**	9,097,981
NON-CURRENT LIABILITY		
Bank borrowings	**1,444,094**	4,154,659
NET ASSETS	**5,178,646**	4,943,322
CAPITAL AND RESERVES		
Share capital *(note 35)*	**140,390**	140,390
Reserves	**5,038,256**	4,802,932
TOTAL EQUITY	**5,178,646**	4,943,322

Note: The loans from subsidiaries were unsecured, interest bearing at 2.94% and 3.74% per annum and repayable on demand.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000 *(note)*	Other reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	3,306,457	2,073,316	(697,424)	4,682,349
Profits for the year and total comprehensive income for the year	–	–	363,445	363,445
Dividends recognised as distribution *(note 13)*	(242,862)	–	–	(242,862)
At 31 December 2018	3,063,595	2,073,316	(333,979)	4,802,932
Profits for the year and total comprehensive income for the year	–	–	1,206,772	1,206,772
Dividends recognised as distribution *(note 13)*	(971,448)	–	–	(971,448)
At 31 December 2019	**2,092,147**	**2,073,316**	**872,793**	**5,038,256**

Note: *In accordance with the Cayman Islands Companies Law, share premium is one of the Company's reserves available for distribution.*

48. EVENT AFTER THE REPORTING PERIOD

The assessment of the impact of the Coronavirus Disease 2019

Since the outbreak of the Coronavirus Disease 2019 (COVID-19) epidemic in January 2020 in the PRC, the contagion of COVID-19 has spread worldwide. Different countries and authorities have taken national prevention and control measures against the disease.

The pandemic caused by the COVID-19 has certain impacts on the business operation and overall economy in different region and industries in the world. To ascertain extent of the outbreak might not have material impact as it is expected that cement price will remain at high levels with mild decline. As such, the Group expects cement demand will shrink in the first quarter of 2020, recover in the second quarter, and remain at peak season level in the second half of the year.

The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC. Up to the date of this announcement, the assessment is still in progress.

Financial Summary

RESULTS

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	6,391,165	6,338,152	7,815,527	11,330,347	**12,608,716**
Profit (loss) before tax	(247,335)	330,322	984,830	3,383,150	**4,350,080**
Income tax expense	(45,375)	(179,364)	(348,627)	(882,360)	**(1,119,984)**
Profit (loss) for the year	(292,710)	150,958	636,203	2,500,790	**3,230,096**
Attributable to:					
Owners of the Company	(299,123)	133,562	602,377	2,420,839	**3,147,340**
Non-controlling interests	6,413	17,396	33,826	79,951	**82,756**
	(292,710)	150,958	636,203	2,500,790	**3,230,096**

ASSETS AND LIABILITIES

	At 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	17,627,180	15,902,155	16,409,987	20,722,346	**23,985,754**
Total liabilities	8,056,254	6,267,007	6,199,603	8,280,000	**9,342,760**
	9,570,926	9,635,148	10,210,384	12,442,346	**14,642,994**
Equity attributable to:					
Owners of the Company	9,299,342	9,354,561	9,909,932	12,087,909	**14,263,801**
Non-controlling interests	271,584	280,587	300,452	354,437	**379,193**
	9,570,926	9,635,148	10,210,384	12,442,346	**14,642,994**