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

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

ANNUAL REPORT 2015

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HSU, Shu-ping *(Vice Chairman)*
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih *(Chief Executive Officer)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang

Non-Executive Director

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

Independent Non-Executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei (appointed on 13 April 2015)
Mr. LEE, Kao-chao (appointed on 13 April 2015)
Dr. WANG, Kuo-ming (appointed on 1 October 2015)

COMPANY SECRETARY

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

QUALIFIED ACCOUNTANT

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

AUTHORIZED REPRESENTATIVES

Madam CHIANG SHAO, Ruey-huey
Mr. LO Wai Kit

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

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion of Unit B, 11th Floor
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Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

HONG KONG LEGAL ADVISER

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AUDITORS

Deloitte Touche Tohmatsu
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STOCK CODE

743

COMPANY WEBSITE

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CONTACT DETAILS

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FINANCIAL HIGHLIGHTS

	Notes	2015 RMB'000	2014 RMB'000
Revenue		**6,391,165**	8,193,716
Gross profit		**956,262**	1,911,395
(Loss) profit for the year		**(292,710)**	812,980
(Loss) profit attributable to owners of the Company		**(299,123)**	790,313
Gross profit margin		**15%**	23%
(Loss) earning per share			
— Basic		**RMB(0.191)**	RMB0.507
— Diluted		**RMB(0.191)**	RMB0.506
Total assets		**17,627,180**	20,022,989
Net assets		**9,570,926**	10,105,134
Liquidity and Gearing			
Current ratio	*1*	**1.10**	1.13
Quick ratio	*2*	**0.94**	0.97
Gearing ratio	*3*	**0.46**	0.50

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

To **our shareholders**,

On behalf of the Board of Directors of Asia Cement (China) Holdings Corporation (hereinafter referred to as the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present to our shareholders the annual report of the Group for the year ended 31 December 2015.

HSU, Shu-tong *Chairman*

CHAIRMAN'S STATEMENT

The year of 2015 saw a general slowdown in economies worldwide. While developed countries witnessed sluggish economic recovery, emerging economies showed weaker performance. Furthermore, the US Federal Reserve System increased interest rate for the first time in nine years, affecting global capital flows and aggravating the volatility of emerging markets' exchange rates. Amid such a fragile market situation, the slowdown of China's economic growth ratcheted up instability and uncertainty in the global economy. China's economic growth in 2015 fell below 7%, a record low since the last financial crisis. The growth of fixed asset investments dropped to 10%, while property development investment saw almost no growth at all. Slowdown in industrial production, decelerating investments in the manufacturing sector and sluggish property market have become the new normal of China's current economic situation. Infrastructure investment has become the key instrument to stimulate the economy.

Slowdown in China's macro-economy had tremendous impact on the cement industry. In 2015, China's cement market saw its first decline in 25 years, with production dropped by 4.9% from that of 2014. Among regional markets, the northern region including Northeastern China and Northern China saw significant contraction, while the southern region including Eastern China, South Central China and Southwestern China was relatively stable. In response to soft market demand, cement price had been on a downward trend since the beginning of 2015. The average selling price of cement for the year dropped by approximately RMB70 per tonne. As cement demand in general was weak, excessive supply further aggravated the supply-demand imbalance, with both sales volume and price tumbled. The overall industry sales profit retreated by 60% compared to that of 2014, and more than 40% of the cement enterprises made losses.

Facing a severe external environment, the Group saw its cement price for 2015 drop by approximately 20%, being the main culprit for the decline in revenue, as sales volume remained at the same level as that of 2014. The Group's principal regional market, Central China, was relatively stable. It held leading market positions in Jiujiang, Nanchang, Huanggang, Wuhan, Chengdu, and Yangzhou. Apart from cement operations, the Group also recorded foreign exchange loss as a result of the significant depreciation of Renminbi against US dollars. In view of the precarious conditions of the international financial market, the management has actively adjusted its asset and liability structure, in order to make effective response to the risks of foreign exchange fluctuations in the future.

The development trend in 2015 showed that China's cement industry had entered the difficult periods of structural adjustment. But from a long-term perspective, a healthy industry structure could stimulate stable and prosperous development. As such, the level of industry concentration must further be raised, meaning cement enterprises should continue to develop themselves into bigger and better companies. Such will pose challenges as well as opportunities for operation management. Strategically, Asia Cement (China), ranking 12th largest cement enterprise in China, is poised to expand production capacity through merger and acquisition, and to introduce sophisticated business philosophy and management structure into the acquired companies. The Company is determined to achieve the objective of ranking among the top 10 cement companies in China, while joining hands with other industry players to ride out the industry transformation period and to establish an effective cement industry structure that will facilitate the long-term economic and social development of China.

2016 is the first year of the 13th Five Year Plan. We are relatively confident in China's maintaining a medium-high growth, while remaining cautiously optimistic about the development of the cement industry. With respect to macro-economy planning, the Chinese government has rolled out three major economic strategies, namely "One Belt and One Road" policy, "Yangtze River Economic Belt", and "Beijing-Tianjin-Hebei Integration", providing significant support to infrastructure investment. The property market and cement demand vitally interrelate. The Chinese government has set specific targets for stimulating the property market development, which will help clear housing inventory and stabilise property market so that property development may accelerate. The government's control over additional cement capacity has restrained new supply. In 2015, additional cement and clinker capacity of 47,120,000 tonnes was launched, which was significantly less than the new cement and clinker capacity of 70,310,000 tonnes unleashed in 2014. Meanwhile, elimination of obsolete capacity continued. In 2015, cement capacity of 38,000,000 tonnes was eliminated. In 2016, more efforts will be made to shut down outdated cement enterprises not meeting the national standards on energy consumption, environmental protection, product quality, or safety. Despite contraction of the external environment and structural contradictions of the industry, gradual improvement in real demand and restraint on new capacity supply could help overcome industry predicaments such as price and profit declines.

As the external environment is shrouded with uncertainties while industry situation remains severe, industry reforms should start with individual enterprises in view of the prevailing market conditions and industry structure. With respect to the external environment, Asia Cement (China) has an experienced and visionary management team whose members are meticulous and responsible. The Company manufactures premium cement products using high-efficient production techniques, while striving to meet the standards on environmental protection, energy saving and emission reduction to qualify as an outstanding green enterprise. All this is to fulfil its corporate social responsibilities through contributing to the healthy development of the industry. Within the group, Asia Cement (China) fine-tunes its organisational structure, streamlining and enhancing its institutional process, grooming the next generation of talent, as well as conducting operations research and installation of an intelligent management system. With the management and the entire workforce working together, we are confident in developing into a big, strong, outstanding and innovative model cement enterprise, achieving sustainable growth and maximizing returns for shareholders.

Vice Chairman's Statement

HSU, Shu-ping *Vice Chairman*

VICE CHAIRMAN'S STATEMENT

In 2015, Asia Cement (China) went to great lengths to carry out comprehensive management improvement measures to enhance its management capability and production efficiency. The whole Company was united and positive in the face of a severe economic situation. Fundamental management was strengthened, with tightened management control and more exploration of potential. Management improvement measures were centered on cost control, efficiency enhancement, and increase in cost-efficiency. Strengthened management, broadened sources of income and lowered cost were achieved through sophisticated management of its core business. All these had produced remarkable results in lowering cost and increasing efficiency.

USING MULTIPLE MEASURES TO IMPROVE PROCUREMENT EFFICIENCY AND REDUCE PURCHASING COSTS

Since May 2015, the Group has been carrying out COST DOWN strategic planning and goals for its procurement department, setting targets with specific requirements in respect of raw material procurement, central procurement, project/services procurement and general material procurement. After more than six months of hard work, remarkable results were seen, with purchasing costs lowered by approximately RMB67 million. During the year, the procurement department of Sichuan Lanfeng Cement Co. Ltd. under the Company merged with Southwestern Region's procurement department to form an integrated procurement management mechanism and system. This allowed the Company to control price through bulk purchase and have designated staff in charge of centralized procurement of local raw materials, thereby increasing procurement efficiency. The procurement department's management and functions had also been strengthened through the implementation of separation of functions in the analysis of quotation on project, materials and equipment procurement, raw material and fuel procurement officers, and accounts payable staff; COM2B e-Commerce solutions; and clear demarcations between the rights and responsibilities of purchase requisition and those of procurement. The Group strived to set up a more scientific and stricter procurement management process by starting with the establishment of a long-term mechanism to ensure honest and ethical business practice through the publication of "Business Ethics Guide to Suppliers" and "Ethics in Procurement". The Group proceeded with rectifying and fine-tuning supply channels, insisted in being transparent in its business, tightened management of suppliers, as well as educated and set guidance for suppliers to develop their own supply chain philosophy of premium quality, competitive price, honesty and credibility, thus building a mutually benefited win-win situation.

REFORMING SALES APPROACH TO REINFORCE MARKETING AND SALES MANAGEMENT

To secure a favourable position amid intense market competition, the Group had adopted a sophisticated management approach to its marketing activities. The Group issued "Code of Ethics for Sales Representatives", clearly defining the duties of each sales department and sales manager, as well as regulating the sales process. This had increased salespeople's sense of responsibility and their motivation at work, which in turn would drive regional market expansion, growth in sales volume, bigger market share, and a more solid customer base. In order to command market information and strengthen client's management, the Group in 2015 successively introduced a number of new requirements such as execution of price dashboard, distributor assessment, sales office assessment etc. It had not only set up an assessment system, but had also optimized its client information management system. Furthermore, in order to ensure that the price is close to market value, the Group had strictly controlled commissions. It will stop paying rebates starting from 2016, and will develop an information system to control and manage commissions and sales allowance. The Group had also enabled information on price and open accounts to be automatically uploaded to the SAP system. The Group requested all of its companies to install GPS system and to set up channel conflict control and investigation teams so as to control channel conflict. Through the abovementioned methods, management process was streamlined, while profitability was enhanced. With respect to accounts receivable management, "Accounts Receivable Management

Measures" was revised according to the actual situation. In 2016, sales activities and collection of payments will be conducted separately on a trial basis, in order to improve the effective rate of payment request. Request for payment of old debts and normal accounts receivable will also be handled separately, so as to reduce accounts receivable, the accounts receivable turnover and the average age of receivables. The Group is currently considering to formulate a new "Salary Standard for Sales Representatives". The new standard is planned to be carried out in the Group's southwest regional operations in 2016, and upon successful implementation, it will be applied to all companies under the Group. Such will form an incentive pay system, while lowering sales cost.

STARTING FROM SMALL TO LOWER SALES AND ADMINISTRATIVE EXPENSES TO ACHIEVE COST-EFFICIENCY

The Group achieved cost-efficiency by tightening control of sales and administrative expenses of functional areas. By setting administrative expenses control targets for each functional area and including such targets as performance appraisal indicators, the Group had actively cultivated a sense of ownership among its employees, who worked together to overcome difficulties. Through cost-cutting measures in various aspects and at different levels, sales and administrative expenses had been reduced by approximately RMB12 million.

ACHIEVING MANAGEMENT EFFICIENCY THROUGH INTRODUCTION OF A GENERAL MANAGER PERFORMANCE APPRAISAL MECHANISM

To survive in a fierce competition, a company should first strengthen its management capability to solidify its foundation, in addition to having a proper strategic plan, sharp sense of market trends and constant technology innovation. The Group had changed its appraisal methods, by setting performance objectives and standards for assessment of general manager, thereby leveraging performance appraisal to achieve management efficiency. The general manager(s) of each company under the Group are the direct executors of the strategic goals and management objectives of the Group's headquarters. The Group would assess performance in six different aspects, namely the level of achievement in net operating profit, execution of headquarters' production and sales policies, accounts receivable management, cost control, industrial safety management, and market expansion. By quantifying goals using performance indicators, the Group strove to focus its management on efficiency, in order to cope with prevailing difficulties.

In the long run, the sustainability of China's economic growth will mainly depend on economic structure adjustment, as well as industrial transformation and upgrade. Government's fiscal investment cannot be relied on to constantly boost market demand. In the next decade, it is expected that the industry will experience a downward trend, while the level of concentration in the cement industry will continue to rise. "Survival of the fittest" is the norm of market competition. In view of the trend towards smaller growth potential of the industry and enterprises leaving the market, the Group must have a strong crisis awareness, give up traditional development methods and plan for transformation as soon as possible, in order to enter a new development stage.

In response to the trend towards economic and social transformation in China, the Group will continue to push ahead with reforms and innovation, so as to develop competitive advantage and to be strategically prepared for competition. With our staff's dedication, the Group is confident and patient to overcome difficulties, ride out the storm and continue with its development.

CEO's Review

The cement industry entered into its winter in 2015. With a sheer drop in overall market demand, the industry saw its profit declined sharply when compared to that of the previous years. The accumulated total profit of the industry for the year amounted to approximately RMB30 billion, representing less than half of the total profit for the year of 2014, while the sales profit margin of the industry was only 3%. The industry also witnessed the first ever decline of cement demand in absolute volume. The shrinkage of cement demand by 5.2% or approximately 130 million tonnes signified that China's cement consumption might have peaked out earlier than expected.

WU, Chung-lih *Chief Executive Officer*

CEO'S REVIEW

During the year under review, the government strictly controlled increase of new capacity, and accelerated the elimination of obsolete facilities, thereby improving the balance in supply and demand. However, investment growth in the sector decelerated due to China's gloomy macroeconomic environment, depreciation in the Renminbi exchange rate, as well as tightened capital stream for the property and infrastructure sectors. The growth rate of fixed asset investments and property investments also declined significantly by 36% and 92% respectively. All these together with high temperature and heavy rainfall resulted in a plunge of product price. Asia Cement (China)'s cement price decreased by RMB50 per tonne from that of the previous year to RMB196 per tonne (excluding tax). Meanwhile, the unit cost of coal consumption decreased from RMB593 in the past year to RMB465 (excluding tax), leading to lower production costs.

The Group had taken various measures to cope with the changing environment. However, affected by the overall market conditions, especially the sharp devaluation of the Renminbi exchange rate in mid-August 2015, the Company suffered heavy foreign exchange loss, which resulted in a loss booked for the year. This was the worst operating result that Asia Cement (China) had realized since its inception, and the management team felt themselves inexcusable for the adverse performance. The Group's revenue for 2015 amounted to RMB6,391.2 million, with a gross profit of RMB956.3 million and a net operating profit of RMB218.5 million, representing year-on-year decline of 22%, 50% and 81% respectively. The gross profit margin decreased by 8.3 percentage points to 15.0%, while the net operating profit margin slid by 10.7 percentage points to 3.4%. Meanwhile, the non-operational net balance rose by RMB399.7 million year-on-year to an expense of RMB465.8 million, while the net profit after tax, profit attributable to owners of the Company and earnings per share were in negative figures of -RMB292.7 million, -RMB299.1 million and -RMB0.191 respectively.

During the year under review, the Group's 15 kilns were in operation for the entire year. The Group produced 24 million tonnes of clinker, up by 2% from that of the previous year, and 29.72 million tonnes of cement (including slag powder). Total sales volume increased by 1.3% year-on-year to 30.38 million tonnes, including 28.42 million tonnes of cement and 1.76 million tonnes of clinker and 200,000 tonnes of slag powder. It was worth noting that Asia Cement (China)'s annual sales volume exceeded 30 million tonnes for the first time during the year.

In 2015, with China's economy entering a stage of new normal, the cement output decreased for the first time in 25 years. Growth in cement demand showed signs of slowdown, while cement price "softened during peak season", a situation contrast with past experience, which led to greater variations in efficiency among different regional markets. Moreover, with new policies on restricted production and off-peak season production to achieve energy saving and emission reduction, industry players had reached a consensus that, under the prevailing market conditions and industry situation, to scramble for higher market shares through boosting the operation rate of kilns was almost impossible.

Facing a "chilly winter" of the industry and widespread merger and acquisition activities within the sector, as well as probable market reshuffle in the future, the Group enhanced its overall competitiveness as a cement corporation through the following efforts and improvements:

I. ESTABLISH AND FINE-TUNE THE HEADQUARTERS' INSTITUTIONAL MANAGEMENT

1. **Put into practice the concept of a chairman's operation headquarters**

   Managers of all levels were gradually accustomed to the top-down coordination of cross-functional policy guidance by the headquarters, while the various operational regions (subsidiaries of the Group) were aligned horizontally as "cross business groups" for implementation of a matrix management structure.

2. **Introduce mission fulfilment scheme**

   In 2015, the Company introduced for the first time the performance appraisal system for the general managers of subsidiaries under the Group, adopting key performance guidance to assess each company's operations, strengthening the concept of accountability and encouraging subsidiaries to tighten management of controllable items to save cost and improve operation efficiency. By monitoring management control on a monthly basis through operation management meetings, the Company achieved the overall target of zero incident associated with industrial safety, environmental protection and quality, etc.

3. **Accelerate the training of lower-level managers and mid-level managers, to enlarge the pool of professional talents for the Company's future development.**

   At the beginning of this year, the Company conducted an overall review of base-level supervisors and above, and potential candidates for the corresponding positions of its subsidiaries and units. The operations headquarters also conducted professional training programs including TWI and MTP accordingly to assist base-level and mid-level managers in addressing their mispractice and areas of incompetence in daily management, strengthening their communication and coordination skills and enhancing the management teams' overall quality.

4. **Improve the Group's management model by planning, control, assessment, and objective-oriented approaches**

   The Company had established/revised, issued and implemented successively more than 20 rules and measures of management, and gradually improved the SOP (standard operating procedure) of various tasks. In addition, the Company thoroughly enhanced the electronisation of every department by means of centralised management, and utilised modern information tools for precision management. The Company also further refined its operational management platform through a series of measures such as updating/optimising the SAP system, modifying the Notes system to a web-based system, implementing auto-compilation and reporting of cost analysis, constantly optimizing the overall IT management of materials and setting up mobile offices.

II. OPERATIONS

The Group took the advantage of the economic downturn to carry out a complete overhaul of its system, from evaluation of distributors, channel-conflict management, remuneration assessment and code of practice of sales representatives, and unlocking staff full potential by setting requirements for more systematic, reasonable and transparent business operations. The Group intensified and expanded its business development by increasing external sales channels, extending its influence beyond central and downstream regions of Yangtze River, as well as adjusting its production and sale of cement.

At the same time, the Group improved its customer credit management by strengthening the management of normal and extraordinary customer's accounts according to risk exposure. The Group made a list of account receivables with higher risk, and stepped up collection efforts by having designated persons to collect such outstandings and shortening the payment period. Overdue and aged debts were also thoroughly reviewed and put under scrutiny. All these served to ensure that the Group utilized its capital efficiently.

With respect to cost control, the Group established a centralised management platform. This platform provided access to a large amount of data, for preparation of a range of detailed cost analyses. It also promoted digitalised management, communication and coordination, and enabled the Group to achieve comprehensive efficiency by reducing inventory and waste, since information on different types of equipment and stock level of raw materials could now be shared through the platform. Prices could be negotiated using central procurement of spare parts, tires, oil, sand, steel and coal, while the parent company and its associated companies helped secure the goods and logistics transportation service, thereby enabling the Group to maximise its comprehensive efficiency and to create economic benefits with price control through bulk purchase.

III. ENERGY SAVING AND EMISSION REDUCTION – ENVIRONMENTAL PROTECTION

In response to the national policy, the Group had set energy saving and emission reduction as its ongoing objective, which was being realised through implementation of relevant measures. In addition to the low-nitrogen combustion equipment installed in the 12 short-kilns constructed by the Group, the Group had also completed denitrification technological upgrade for rotary kilns in various regions to reduce nitrogen oxide emission. The Group's 15 kilns had fully utilised the residual heat released from the feeding and emission ends of the rotary kilns to generate power, thereby reducing coal consumption and waste.

Meanwhile, in response to local government's reduction of carbon emission and control of air pollution, the Group had actively participated in the pilot scheme of carbon emission quota trading in Hubei province. The Group had actively conducted study on the utilisation of different industrial mineral slags and waste (e.g. construction waste), and optimisation of recycling of materials to minimize waste. The Group also explored the application of alternative materials, and had achieved remarkable results.

In addition, to become one of the top ten cement groups, the Group had not only strived for self-improvement, but had also followed closely Industry 4.0 (the fourth industrial revolution) of the cement sector, in order to adapt to the future development trend of the sector. When applying tools of Industry 4.0, the Group focused on using internet of things as the platform, linking relevant information from subsidiaries in different regions, and converted the concept of business wisdom into sophisticated applicable information, thereby fully leveraging the functions of the data bank. The direct feedback from different types of end users enabled the Group to make dynamic analysis on profit and cost and to make timely adjustment to product and price structure in accordance with the market change.

All in all, the headquarters' management platform will ensure a smooth exchange of personnel, capital, materials and information in the future, making it an effective operational system for Asia Cement (China) to demonstrate its overall competitiveness.

To conclude, the cement market experienced ups and downs in 2015, as the price dropped sharply for the first three quarters and only rebounded slightly in the fourth quarter before it moved on a downward trend to test its record low. According to the current market information, it is expected that a sluggish demand will continue at least for the first half of 2016. Nonetheless, favourable news on policies such as "13th Five-Year Plan", urbanisation, construction of "sponge city" and city underground pipe gallery, investment of high speed rail, the abolishment of PC32.5 grade cement and elimination of "dormant companies" are expected to serve as stimulus to the recovery and stability of the cement market. With a slightly optimistic expectation on the first half of 2016, it is hoped that overcapacity will gradually be under control, while supply of new capacity, elimination of obsolete capacity and market demand will be stabilized. If all these materialise, the Group is confident in seizing the upcoming market opportunities.

Management Discussion And Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Despite facing a complex international landscape and greater downward economic pressure in 2015, the central government of the People's Republic of China ("PRC" or "China") was able to maintain its strategic focus on handling situations at home and aboard. It followed the work guidance of "making progress while maintaining stability", proactively adapted to and led the economy into a new normal, adopted new theories to guide new practices and new strategy to explore new development. It also made constant innovation in macroeconomic adjustments, deepened structural reform, and pushed ahead with "mass entrepreneurship and innovation". As a result, the economy was able to achieve a moderate, stable and sound development. The GDP growth rate for 2015 was 6.9% year-on-year, representing a slight decrease of 0.5 percentage points when compared with 7.4% growth rate in 2014, which was within a reasonable range.

In 2015, China's cement industry experienced a serious decline in economic efficiency. The industry continued the downward trend that began in 2014. The overall cement demand declined by approximately 130 million tonnes from that of the previous year. The escalating overcapacity problem had led to vicious market competition, resulting in continued decline in cement product price and significant drop in profitability of cement companies. Competition in regional markets intensified, forcing a large number of companies to be in such dire straits that they had to suspend all production activity or half of their production activity. The contradictions and problems that emerged and had not been solved at the time when the industry relied on high growth in demand were fully exposed and magnified in 2015.

China's economic structure was undergoing a period of rapid transformation. The national year-on-year growth rate of fixed asset investment stood at 10% in 2015, which dropped by 5.7 percentage points when compared with that of 2014. The national property development investment increased by 1% year-on-year, which was 9.5 percentage points lower than that of 2014. With the continued optimization of industry structure, traditional industries with high energy consumption saw continued slow growth or even negative growth. As a traditional basic industry, the cement sector was also under the pressure of declining demand. The industry entered difficult times, showing signs of weakening throughout the year. In 2015, the national cement output was 2.348 billion tonnes, representing a decrease of 128 million tonnes from 2014's 2.476 billion tonnes or a decrease of approximately 5% year-on-year. Meanwhile, according to Digital Cement's statistics, the cement price in 2015 plunged by over 20% when compared to that of 2014.

In 2015, demand for cement witnessed its first ever decline while supply continued to grow. According to Digital Cement's statistics, the additional clinker capacity unleashed in China in 2015 was 47.12 million tonnes (equivalent to approximately 63 million tonnes of cement capacity), while only 38 million tonnes of obsolete cement capacity was eliminated during the year. As a result, the net increase in cement capacity was 25 million tonnes. Although PC32.5 grade cement was abolished from 1 December 2015 pursuant to the new national standards, industry players turned to produce PC32.5R grade cement as an alternative product. As such, the actual market share released was limited. The abovementioned factors had aggravated the imbalance of supply and demand and intensified market competition. Due to insufficient demand, industry players could not reach a consensus on effective implementation of self-discipline in energy saving and emission reduction. Each plant strove to run at full production level until its inventory was fully stocked and operations of its kilns had to be stopped. Price wars and vicious competitions prevailed. The market price had been falling sharply since the beginning of the year and reached its 10-year low in August. Although a rebound was witnessed with the arrival of the traditional peak season in September, it was a relatively weak recovery. Prices in some regions continued to drop, and "softened during peak season" and "weakened during low season" throughout the year. Although low coal price benefited the cement sector in terms of production cost control, cement prices in general were low, leading to disappointing industry profitability. Compared to 2014, the industry profit plunged by approximately 60%, and over 40% of enterprises recorded losses. There was greater exposure to financial risks among cement companies.

The Group had taken various measures to cope with the increasingly competitive and difficult operating environment of the cement industry. First, the Group used various measures to achieve "lower cost and higher efficiency". The purchasing cost of fuel and other equipment, as well as production maintenance expenses and other management fees decreased significantly when compared with those in 2014. Through the abovementioned efforts, the Group's total cost of cement production dropped by 13.5% when compared with 2014, thereby increasing the overall competitiveness. Second, the Group continued to push ahead with internal management reform, refinement and optimization. The Group's management headquarters speeded up institutional development, standardised operation procedures of its subsidiaries, and improved the implementation details of production, transportation, sales, etc. All these significantly increased management efficiency. In addition, the training of professional staff at different levels as well as that of the management team was carried out accordingly. Furthermore, there was also improvement in the management of account receivables. Third, the Group achieved new overseas market developments by exploring international markets. In May 2015, the Group's silo in Taizhou commenced operation and started exporting products. A total of 230,000 tonnes of different cement products were exported to Singapore, the United States and other overseas markets during the year under review. The Group not only expanded along the value chain, but also enhanced its overall efficiency. Fourth, by adopting flexible marketing strategies with specific targets, the Group expanded sales to areas near its production plants and increased market influence in its core markets. Amid shrinking market demand, the Group's sales in Wuhan, Chengdu, Nanchang, Jiujiang and Yanzhou still increased in spite of the market situation. Fifth, the Group grasped opportunities from infrastructure projects launched by the government. Leveraging its well-established sales network and premium quality and services, the Group successfully won the tenders for supplying to a number of key infrastructure projects in Hubei, Jiangxi, Sichuan and Jiangsu. The total contract volume exceeded 3 million tonnes. Last but not least, the Group had adhered to high-level environmental protection and green development strategy. The Group had been resolute in implementing government and industry policies. With respect to environmental protection and energy saving and utilization of resources, the Group had achieved high standards within the industry. For instance, on the aspect of denitrification, carbon credit purchase and dust collecting bag, the Group had remained at the forefront of industry, building a corporate image of energy saving, emission reduction, clean production and environmental protection.

The national cement demand shrank by 5% in 2015, but the joint efforts of the management and staff had enabled the Group to achieve a 2.3% year-on-year increase in clinker output to more than 24 million tonnes for 2015. The total sales volume of cement products was about 30.38 million tonnes, representing a 2% increase when compared to that of 2014 and crossing the mark of 30 million tonnes for the first time. However, being affected by the general low level of prices, the Group's cement price dropped by 20.3% when compared to that of 2014, sending the gross profit down by approximately 50% (which was similar to the change in the national profit). Moreover, affected by the significant devaluation of RMB since August 2015, the Group recorded a severe non-operating loss (foreign exchange loss from US dollar-denominated bank borrowings as a result of the devaluation of RMB). As a result of the abovementioned factors, the Group failed to achieve a satisfactory profitability.

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

Item	2015	2014	% Change
Cement	**28,418**	28,302	0
Clinker	**1,758**	1,276	38
Blast-furnace slag powder	**202**	401	(50)
Total	**30,378**	29,979	1

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

Item	2015	2014	% Change
Southeastern region	**10,411**	10,835	(4)
Central region	**7,847**	7,898	(1)
Southwestern region	**7,818**	6,929	13
Eastern region	**2,342**	2,640	(11)
Total	**28,418**	28,302	0

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

Item	2015 Sales volume	2015 Percentage (%)	2014 Sales volume	2014 Percentage (%)
High grade cement	**22,793**	**80**	21,865	77
Low grade cement	**5,625**	**20**	6,437	23
Total	**28,418**	**100**	28,302	100

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

Item	2015 Sales volume	2015 Percentage (%)	2014 Sales volume	2014 Percentage (%)
Bulk cement	**20,887**	**73**	21,818	77
Bagged cement	**7,531**	**27**	6,484	23
Total	**28,418**	**100**	28,302	100

(1) Central and downstream regions of Yangtze River

Approximately 70% of the Group's cement capacity (about 24 million tonnes) was located in the central and downstream regions of Yangtze River. The Group was among this region's largest cement enterprises in terms of production capacity. In Wuhan, Jiujiang and Yangzhou, the Company ranked first in market share, while in Nanchang it ranked second. In 2015, the market demand in the Eastern region decreased by approximately 6% when compared with that of the same period of 2014. Due to sluggish demand, large enterprises did not respond to the call of China Cement Association to exercise self-discipline in energy saving and emission reduction. Small to medium plants were also running at full production level and turned off their kilns only when their inventory was fully stocked. As a result, a number of plants faced huge inventory pressure, and attempted to boost sales by waging price wars. Continued decline in price in this region ensued, while the price in a number of regions hit record low in 10 years. With over 10 years of dedication to market development and high quality product and service assurance, the Skyscraper brand was favoured by customers, and enabled the Group to increase sales volume and market influence in its core markets such as Wuhan, Nanchang and Jiujiang. Meanwhile, the Group reduced sales accordingly to markets where long distance transportation was required and price was lower. As such, against the unfavorable backdrop of declining market demand, the Group sold a total of 22.42 million tonnes of cement products in the central and downstream regions of Yangtze River in 2015, which was basically close to 2014's 22.93 million tonnes.

(2) Chengdu region

The Group had a total cement capacity of 11 million tonnes in Chengdu region, being the largest cement producer in the region and ranked first in market share. Chengdu market was also under pressure from declining demand in 2015. Market demand in this region dropped by 3 to 4% in 2015. The transportation convenience of the Chengdu market made it easier for other cement enterprises in the surrounding areas to enter. Although China Cement Association had made several appeals to the industry to exercise self-discipline in energy saving and emission reduction, industry players only pursued their own agenda, fighting for market and customers, which led to intensified price competition. As such, price tumbled to record low. As market coordination was unlikely to happen, the Group dedicated its effort to increasing sales to fully participate in the market competition. For 2015, the Group sold a total of 7.96 million tonnes of cement products in the Southwestern region, representing an increase of 910,000 tonnes or 12.9% from 2014's 7.05 million tonnes.

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

Item	2015	2014
Jiujiang	**38%**	35%
Nanchang	**26%**	26%
Wuhan	**27%**	27%
Chengdu	**31%**	28%
Yangzhou	**30%**	30%

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2015, the Group's revenue amounted to RMB6,391.2 million, representing a decrease of RMB1,802.5 million or 22% from RMB8,193.7 million in 2014. The decrease in revenue was mainly attributable to the decrease in the average selling price of the Company's products during 2015.

	2015		2014	
Region	RMB'000	%	RMB'000	%
Southeastern region	2,436,535	38	2,907,570	36
Central region	1,804,502	28	2,330,770	28
Southwestern region	1,550,896	24	2,023,980	25
Eastern region	599,232	10	931,396	11
Total	6,391,165	100	8,193,716	100

In respect of revenue contribution for 2015, sales of cement accounted for 87% (2014: 85%) and sales of concrete accounted for 8% (2014: 11%). The table below shows the sales breakdown by product during the reporting period:

	2015		2014	
	RMB'000	%	RMB'000	%
Cement	5,581,118	87	6,983,580	85
Clinker	266,791	4	252,164	3
RMC	510,418	8	869,199	11
Blast-furnace slag powder	32,838	1	88,773	1
Total	6,391,165	100	8,193,716	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 2015, the Group's cost of sales decreased by approximately 13% to RMB5,434.9 million from RMB6,282.3 million in 2014 due to the decrease in the cost of coal for the production of cement products.

The gross profit for 2015 was RMB956.3 million (2014: RMB1,911.4 million), with a gross profit margin of 15% (2014: 23%). The decrease in gross profit was mainly attributable to the decrease in the average selling price of the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2015, other income amounted to RMB128.5 million, representing a decrease of RMB32.9 million from RMB161.4 million in 2014. The decrease in other income was attributable to the decrease in government grant and interest incomes during 2015.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts, loss from changes in fair value of investment properties and loss on disposal/write-off of property, plant and equipment. For 2015, other losses amounted to RMB419.6 million, representing an increase of RMB375.8 million from the other losses of RMB43.8 million in 2014. The increase in losses was principally attributable to the increase in foreign exchange loss from US dollar-denominated bank borrowings and the increase in allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2015, the distribution and selling expenses amounted to RMB415.3 million, which remained stable as compared with that of 2014.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by approximately 5%, from RMB339.2 million in 2014 to RMB322.5 million in 2015. The decrease was attributable to the Group using multiple measures to achieve cost-efficiency.

The 6% decrease in finance costs was mainly due to the reduction of bank borrowings.

(Loss) Profit before Tax

As a result of the foregoing factors, the profit before tax for 2015 decreased by RMB1,338.4 million, constituting a loss of RMB247.3 million (2014: profit of RMB1,091.1 million).

Income Tax Expenses

In 2015, income tax expenses decreased by RMB232.7 million, or approximately 84%, to RMB45.4 million from RMB278.1 million in 2014.

Non-controlling Interests

In 2015, non-controlling interests amounted to RMB6.4 million, representing a decrease of RMB16.3 million, or approximately 72%, from RMB22.7 million in 2014 primarily due to the decrease in profit contribution from Jiangxi Yadong.

(Loss) Profit for the Year

For 2015, the net loss of the Group amounted to RMB292.7 million, representing a decrease of RMB1,105.7 million from the profit of RMB813.0 million in 2014.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2015. Total assets decreased by approximately 12% to RMB17,627.2 million (31 December 2014: approximately RMB20,023.0 million) while total equity decrease by approximately 5% to RMB9,570.9 million (31 December 2014: approximately RMB10,105.1 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2015, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB1,138.7 million (31 December 2014: RMB2,368.8 million) of which approximately 95% was denominated in RMB and approximately 5% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB718.2 million in 2014 to RMB1,249.4 million in 2015. This was mainly due to the decrease in trade and other receivable and increase in trade and other payables.

The Group's cash inflow from investment activities primarily consisted of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consisted of purchases of property, plant and equipment, land use rights and quarry and purchase of held-to-maturity investments. In 2015, the net cash used in investment activities of the Group amounted to RMB370.7 million, representing a decrease of 70% from RMB1,245.5 million in 2014. The decrease in cash flow used in investment activities by RMB874.8 million was primarily attributable to less cash used for merger and acquisition in 2015.

In 2015, the net cash used in financing activities of the Group amounted to RMB2,098.0 million. This was primarily due to the repayment of borrowings in 2015.

Capital Expenditure

Capital expenditure for the year ended 31 December 2015 amounted to approximately RMB415.3 million and capital commitments as at 31 December 2015 amounted to approximately RMB592.7 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2015 and 2014 are summarised below:

	As at 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Short-term borrowings	3,379,212	49	4,804,222	56
Long-term borrowings	3,565,860	51	3,814,465	44
Currency denomination				
– RMB	2,333,828	34	875,503	10
– US dollars	4,611,244	66	7,743,184	90
Borrowings				
– secured	–	–	–	–
– unsecured	6,945,072	100	8,618,687	100
Interest rate structure				
– fixed-rate borrowings	–	–	–	–
– variable-rate borrowings	6,945,072	100	8,618,687	100
Interest rate				
– fixed-rate borrowings	N/A		N/A	
– variable-rate borrowings	90% to 100% of the Benchmark Interest Rate of the LIBOR plus margin of 0.6%–2.6%		90% to 100% of the Benchmark Interest Rate of the LIBOR plus margin of 0.5%–3.5%	

As at 31 December 2015, the Group had unutilised credit facilities in the amount of RMB5,018.5 million.

As at 31 December 2015, the Group's gearing ratio was approximately 46% (31 December 2014: 50%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2015 and 2014 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2015.

Contingent Liabilities

As at the date of this report and as at 31 December 2015, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2015, the Group had 4,523 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2015, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2015.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB. However, some of the Group's bank borrowings were denominated in other foreign currencies.

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

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

2. BUSINESS PROSPECTS

The cement industry will face a very challenging year in 2016, as the market is expected to remain difficult. First, affected by the China government's restructuring of the macro economy, the cement industry has entered the adjustment stage. According to the forecast made by Digital Cement, market demand in 2016 will continue to contract (decrease by approximately 3%). As its major driving force – property market – will remain depressed, market demand will be under enormous pressure with only infrastructure and rural market to support its growth. Furthermore, not only demand drops, but there will also be new release of capacity. According to the estimation of Digital Cement, there will be an additional supply of approximately 35 million tonnes (approximately an aggregate of 47 million tonnes of cement) of new clinker capacity unleashed in China in 2016. The problem of supply and demand imbalance will aggravate.

However, a number of things, which are about to happen, will help create a positive and optimistic outlook for the cement industry. The Group remains optimistic about the future development of China's cement industry. First, 2016 is the first year of China's 13th Five-Year Plan. According to the PRC government's proposals on formulating the 13th Five-Year Plan on National Economic and Social Development, 2020 has been set as the target for China to become a high income economy. As such, the next five years (the 13th five-years) will be crucial for the country to become a high income economy. The PRC government will be determined to keep a stable annual growth rate. It will strive to maintain a moderate to high growth rate (6.5%–7.0%) for its economy. Moreover, industrial structure optimization will continue, while growth in different investments will gradually return to more sustainable levels. Although demand is pressurized to shrink, the overall demand will remain at a relatively high level. Second, the PRC government will make more effort to reform the supply side, which will be achieved through "suspending new supply, eliminating excessive capacity", with the focus on effectively solving the problem of overcapacity. It will also adjust the industry structure, optimize the market environment for merger and acquisition activities, implement measures to eliminate excessive capacity and clear inventory. In addition, the PRC government will also take severe measures against zombie companies, and close down those enterprises with overcapacity but not meeting national energy consumption, environmental protection, quality and safety standards. All these will benefit the cement industry. Third, with the implementation of the new "Environmental Protection Law" effective on 1 January 2015, requirements for environmental protection have been tightened and become more stringent. Enterprises not meeting the environmental standards will have to exit the market unless they spend huge amounts on technical modification to meet environmental requirements. This will escalate the elimination process of small to medium-sized enterprises and improve the supply-demand balance. All of the Group's production lines are imported equipment of high quality and advanced technology. On top of that, the Group is committed to maintaining high environmental standards, and therefore it only requires a small amount of investment to meet the environmental requirements. Fourth, the implementation of "One Belt and One Road" policy and "Yangtze River Economic Belt" development strategies will spark off a massive amount of new infrastructure projects. The RMB800 billion railway construction investment target set for 2016, together with inter-city rail and subway construction, hydraulic facilities, sponge city, and old city and shantytown redevelopment will boost the market demand for cement. Fifth, coordination between China Cement Association and large enterprises, as well as their leadership, result in, among other things, resolution in restricting supply of new capacity, acceleration of elimination of obsolete production lines, implementation of off-peak season production and restricted production to achieve energy saving and emission reduction, raising industry concentration level and total abolishment of PC32.5 grade cement. All these will enhance the quality of concrete and construction materials, while more obvious results will be achieved. Sixth, information from different sources shows that coal price will stay at a low level for a relatively long period, taking pressure off cement production cost. All in all, the Group expects that the cement industry will enter the stage of new normal, but the aforesaid policies and measures will have positive impact on the industry development.

The Group expects the industry to "first fall and then rise" in 2016. In the first half of 2016, the cement market will continue 2015's gloomy situation, but demand will gradually recover with the commencement of infrastructure construction. Furthermore, self-discipline and consensus on energy saving and emission reduction among industry players are expected to strengthen. The above factors together with the implementation of measures to "eliminate excessive capacity" and rise in industry concentration level are expected to lift the market quantity and price.

In 2016, the Group plans to sell a total of over 32.28 million tonnes of cement products, representing an increase of 1.9 million tonnes or 6.3% from 30.38 million tonnes in 2015.

The Group has taken a humble attitude in the face of an increasingly severe industry environment. It is determined to improve itself by carrying out thorough review and analysis of its weakness so as to improve it and striving to explore new directions for development. All these are expected to achieve sustainable growth and profitability in 2016. The Group is resolute in implementing organizational restructuring by fully leveraging centralized management through operation headquarters. It will keep strengthening the mission fulfilment schemes in respect of production, transportation, sales, safety and environmental protection. In addition, the Group will continue to push ahead with business reforms, training of different specialists and management personnel, as well as innovation of new production techniques, to become the market leader and model company for the industry, with higher product quality, better performance and lower energy consumption. The Group will continue to comply with all the environmental policies and regulations, by fulfilling its duties in respect of energy saving and emission reduction, green low carbon development, recycling and reuse of waste materials, as well as maintaining good relationship with local communities. The Group is looking forward to the future development of China's cement industry. We will strive to seize the opportunities arising from the PRC government's intensified reform on the supply side and acceleration of merger and acquisition activities within the sector, to keep exploring suitable strategic partners and targets for merger and acquisition, with the aim to become one of the top 10 cement groups in China.

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 2015, except the following:

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

Following the resignation of Mr. LEI, Qian-zhi and Dr. WONG, Ying-ho Kennedy and the passing away of Mr. LIU, Zhen-tao, the Company failed to comply with Rules 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code. Following the appointment of Mr. WANG, Wei and Mr. LEE, Kao-chao with effect from 13 April 2015 and Dr. WANG, Kuo-ming with effect from 1 October 2015 as independent non-executive Directors, the Company has fulfilled the requirements of Rule 3.10A of the Listing Rules. Following the appointment of Mr. LEE, Kao-chao, Dr. WANG, Kuo-ming and Mr. WANG, Wei with effect from 2 November 2015 as a member of audit committee, the chairman of remuneration committee and a member of nomination committee respectively, the Company has fulfilled the requirements of Rules 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

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 2015 are set out in page 62 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)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang

Non-executive Director

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

Independent non-executive Directors

Mr. LIU, Zhen-tao (passed away on 24 February 2015)
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)
Mr. LEE, Kao-chao (appointed on 13 April 2015)
Mr. WANG, Wei (appointed on 13 April 2015)
Dr. WANG, Kuo-ming (appointed on 1 October 2015)

Biographical information of the Directors is set forth on pages 32 to 34 of this annual report.

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

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

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

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman of the Board has held a meeting with the Non-executive Director (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 eight meetings were held in 2015. 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 2015.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	8/8
Mr. HSU, Shu-ping	8/8
Mr. CHANG, Tsai-hsiung	8/8
Dr. WU, Chung-lih	8/8
Madam CHIANG SHAO, Ruey-huey	8/8
Mr. CHANG, Chuen-kuen	8/8
Mr. LIN, Seng-chang	8/8
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	–
Mr. TSIM, Tak-lung Dominic	8/8
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	3/3
Mr. LEE, Kao-chao (appointed on 13 April 2015)	7/7
Mr. WANG, Wei (appointed on 13 April 2015)	7/7
Dr. WANG, Kuo-ming (appointed on 1 October 2015)	3/3

The company secretary of the Company (the "Company Secretary") is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

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 2015 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. HSU, Shu-ping	A and B
Mr. CHANG, Tsai-hsiung	A
Dr. WU, Chung-lih	A and B
Madam CHIANG SHAO, Ruey-huey	A and B
Mr. CHANG, Chuen-kuen	A and B
Mr. LIN, Seng-chang	A and B
Non-executive Director	
Mr. HSU, Shu-tong	A and B
Independent non-executive Directors	
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	–
Mr. TSIM, Tak-lung Dominic	A
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	A
Mr. LEE, Kao-chao (appointed on 13 April 2015)	A and B
Mr. WANG, Wei (appointed on 13 April 2015)	A and B
Dr. WANG, Kuo-ming (appointed on 1 October 2015)	A and 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 2015. 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
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	1/1
Mr. LEE, Kao-chao (appointed on 2 November 2015)	–

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 2015. 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	
Mr. TSIM, Tak-lung Dominic	1/1
Mr. HSU, Shu-tong	1/1
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	–
Dr. WANG, Kuo-ming (appointed on 2 November 2015 as chairman)	–

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration of the members of senior management by bands in 2015 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 2015. 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	
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	1/1
Mr. TSIM, Tak-lung Dominic	1/1
Mr. LEE, Kao-chao (appointed as chairman on 2 November 2015)	–
Dr. WANG, Kuo-ming (appointed on 2 November 2015)	–

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

NOMINATION COMMITTEE

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

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

Three meetings were held in 2015. 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)	3/3
Mr. TSIM, Tak-lung Dominic	3/3
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	2/2
Mr. WANG, Wei (appointed on 2 November 2015)	–

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

During the year under review, the Board approved the revised terms of reference of the Audit Committee of the Company.

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 2015, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 69 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 69 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2015 is as follows:

	2015 RMB'000
Audit services	4,129
Non-audit services	–
Total	4,129

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible 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 2015, 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.

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 2015 annual general meeting of the Company ("2015 AGM") was held on 20 May 2015. The notice of the 2015 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2015 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
Madam CHIANG SHAO, Ruey-huey	1/1
Mr. CHANG, Chen-kuen	1/1
Mr. LIN, Seng-chang	1/1
Non-executive Director	
Mr. HSU, Shu-tong	1/1
Independent non-executive Directors	
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	–
Mr. TSIM, Tak-lung Dominic	1/1
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)	1/1
Mr. LEE, Kao-chao (appointed on 13 April 2015)	1/1
Mr. WANG, Wei (appointed on 13 April 2015)	1/1
Dr. WANG, Kuo-ming (appointed on 1 October 2015)	–

The Company's external auditor also attended the 2015 AGM.

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

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

CONSTITUTIONAL DOCUMENTS

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

COMPANY SECRETARY

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

During 2015, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules. He will continue to comply with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

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 74, is the 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 chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises 249 companies extending into China with operations in countries including Japan, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 58,000, and in 2015, it has total assets of US$75.8 billion and annual revenues of US$18.7 billion.

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

Outside Far Eastern Group, Mr. HSU's professional and other affiliations in prominent organizations include: Director of MasterCard Asia/Pacific Regional Advisory Board, Prudential/Asia Pacific Fund, Chung-Hua Institution for Economic Research, the Straits Exchange Foundation, Chiang Ching-kuo Foundation for International Scholarly Exchange; Member of Asia Business Council, Asian Cultural Council; 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), former Co-Chair of Nature Conservancy Asia Pacific Council, and former Consultant to Chinese Taipei Olympic Committee.

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

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

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 70, is an executive Director and the vice chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and Far EasTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr CHANG, Tsai-hsiung (張才雄), aged 92, is an executive Director of the Group. He is mainly responsible for the formulation and implementation of the overall business strategy and the planning and supervision of the Group's overall operation in China. Mr Chang is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr Chang has more than 52 years of experience in the cement industry in both Taiwan and Mainland China. He has devoted enormous efforts in introducing advanced production techniques and highly efficient operation management to the cement industry in Taiwan and Mainland China. Under Mr Chang's supervision, the production scale and operation efficiency of the Group's production facilities in Mainland China continue to increase. In recent years, together with the management team of the Group, Mr Chang actively promoted the implementation of energy saving and environmental protection measures during the cement production process, while utilizing cement production facilities to solve urban waste problem. Mr Chang joined Far Eastern Group, Asia Cement Corporation, since 1963 and later joined the Group in October 1997. During his tenure with the Company, Mr Chang had taken various positions including engineer, deputy factory head, factory head, chief factory head, deputy general manager, general manager and officer-in-charge of factory construction and chief operation officer of the subsidiaries of Asia Cement (China) Holdings Corporation, vice chairman and the prestigious position as the advisor of the Group. Besides serving as engineer in various companies in Mainland China in his early years, Mr Chang was also hired as engineer, factory head of maintenance plant and division head of ship machinery by Keelung Harbour Bureau and Hualien Harbour Bureau in Taiwan.

Dr. WU, Chung-lih (吳中立), aged 66, is an executive Director, the chief executive officer, the chief administrative officer and the compliance officer of the Group. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, including the previous duty of general administrative affairs. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 68, is an executive Director and the chief financial officer of the Group. Madam SHAO has more than 45 years experience of financial management, planning and information system management in the cement industry. Madam SHAO is also a director of China Hi-Ment Corporation and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University in Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 68, 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 46 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 72, is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 69, 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 and of the Greater China Fund, Inc. 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 78, 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.

Mr. WANG Wei (王偉), aged 59, has served as an independent non-executive Director of the Company since April 2015. Mr. WANG is the vice president of **China National Materials Company Limited ("Sinoma"). 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. Currently, he also serves 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 72, 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 70, 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 join the Group in September 2006.

Mr. WONG, Liang-shih (王亮石), aged 65, is the associate of the administration department of the Group and the purchasing manager of Southeastern region. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has over 30 years of experience of procurement management in the cement industry. Mr. WONG graduated from the Tamkang University in Taiwan majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 60, is the associate of the finance department and the manager of the accounting and finance department of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LEE, Shaw-shan (李紹先), aged 61, is the manager of the technical and production department of the Group. Mr. LEE is primarily responsible for the production quality control and technology and research and development of the Group. Mr. LEE has over 30 years of experience of engineering in the cement industry. Mr. LEE graduated from the Tamkang University in Taiwan with a bachelor degree in chemistry engineering in 1977 and from the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. CHANG, Chien-mao (張建懋), aged 52, is the manager of human resources department and secretarial department of the Group. Mr. CHANG is primarily responsible for human resources function of the Group and daily administrative operation. Mr. CHANG graduated from the Chung Hsing University in Taiwan majoring in public administration. Mr. CHANG has over 30 years of experience of business administration and human resources management in various industry. Mr. CHANG joined the Group in February 2012.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 42, is the company secretary and one of the authorized representatives of the Company. He has over 17 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as the vice president of finance and accounting of **CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

** *companies listed on The Stock Exchange of Hong Kong Limited*

Corporate Social Responsibility Report

Together we can change the world for the better

I. COMPANY OVERVIEW

Asia Cement (China) Holdings Corporation (Hong Kong Stock Exchange Stock Code: 00743; the "Company" or the "Group") was incorporated by Taiwan-based Far Eastern Group, in the Cayman Islands in April 2004. Under the Company, there are a total of 21 companies engaging in five major types of business, namely integrated cement manufacturing, cement grinding, cement products manufacturing, transportation and investment. The total assets of the Company amount to approximately RMB20 billion. The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since 20 May 2008.

Since Jiangxi Ya Dong Cement Corporation Ltd.'s first new dry-process cement production line with a daily output of 5,000 tonnes of clinker began operation in July 2000, nine production lines of the same model had been constructed by the Company and began operation in Jiujiang in Jiangxi, Chengdu in Sichuan, Wuhan and Huanggang in Hubei and other regions in China. In September 2013 and January 2014, two new dry-process cement production lines with a daily output of 6,000 tonnes of clinker of Jiangxi Ya Dong began operation. As a result of the aforementioned production lines together with Wuhan Yaxin Cement Co., Ltd. acquired in 2010 and Sichuan Lanfeng Cement Co., Ltd. acquired in 2014, the Company currently has a total of 15 new dry-process cement production lines concurrently in operation with an aggregate annual output of 35 million tonnes of cement. The Company was among the top 12 with the largest clinker capacity in China in 2015.

Jiangxi Ya Dong, Hubei Yadong, Wuhan Ya Dong, Huanggang Yadong and Yangzhou Ya Dong under the Group are located along the Yangtze River. Looking into the future, these companies will take advantage of the river to expand to other areas. Sichuan Yadong and Sichuan Lanfeng, located in Chengdu of Sichuan, have the advantages of being located in a metropolitan area. Leveraging the government's central and western development policies, the Group has become a major and large cement group in the central and downstream regions of the Yangtze River, as well as in the southwest area (Chengdu) in China. "Skyscraper" ("洋房牌") brand cement produced by the Company is a representative of high quality cement in Wuhan, Jiujiang, Nanchang, Yangzhou, Shanghai and Chengdu, etc. In future, to expand production capacity, the Group will continue to seize the right opportunity for building their own facilities or conducting mergers and acquisitions or strategic cooperation. The Group will strive to achieve its target of a 50 million tonnes annual production capacity by the end of 2016 and become one of China's top 10 cement groups, while contributing to urbanisation and infrastructure construction.

II. CORPORATE SOCIAL RESPONSIBILITY

The Group embraces Far Eastern Group's corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation". Leveraging the valuable experience in Taiwan, the Group strives to establish in Mainland China a large modern cement enterprise that could serve as a role model by committing to achieve "Three Highs, One Low" production target, namely "High Level of Environmental Protection, High Quality, High Efficiency, and Low Cost". The Company has always believed that "Industrial development and environmental protection can go hand-in-hand". As such, the Company has invested massive manpower and resources in sewage treatment, mine reclamation and environmental beautification, in an attempt to preserve and restore all types of native plants. The reclamation of the mines in the surrounding areas of factories shows remarkable results, which gain wide recognition by the government and specialized organizations in society. The Company is famous at home and abroad, having won a number of awards for energy saving and for being an advanced mining enterprise and model enterprise for environmental protection.

The Group believes its very existence and development depends largely on its most valuable assets – employees. As such, the Group is committed to creating a safe, harmonious work environment and providing opportunities for staff development. In addition, the Group continues to strengthen communication and cooperation with stakeholders, in order to maximise social value with its partners by integrating the idea of corporate social responsibility into the Group's operation and management.

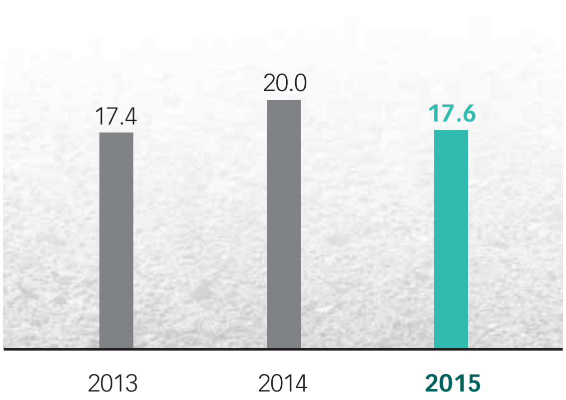
III. KEY PERFORMANCE INDICATORS

Indicators	Unit	2013	2014	2015
Total assets	RMB'000	17,361,715	20,022,989	**17,627,180**
Revenue	RMB'000	7,330,818	8,193,716	**6,391,165**
Net profit (loss)	RMB'000	846,304	812,980	**(292,710)**
Total tax expenses	RMB'000	716,540	1,016,380	**704,100**
Return on total assets	%	7.7	6.8	**(0.4)**
Total no. of staff	No. of persons	4,096	4,746	**4,523**
No. of new jobs created	No. of jobs	116	138	**6**
Rate of entering into employment agreement	%	100	100	**100**
Social security coverage rate	%	100	100	**100**
Proportion of female management	%	7.55	8.96	**10.22**
Average no. of annual leave per person	No. of days	5.7	5.6	**6.2**
Staff training coverage rate	%	100	100	**100**
Average investment in training per person	RMB/person	688	792	**600**
Average training time per person	No. of hours	32	32	**21**
Body check coverage rate	%	100	100	**100**
Safety training participation	No. of participants	14,334	12,437	**16,089**
Production safety investment	RMB'000	43,200	46,290	**39,440**
Number of safety and emergency drills	No. of drills	154	149	**171**
Total investment in environmental protection	RMB'000	123,950	315,560	**119,160**
Investment in energy saving and emission reduction technical upgrade	RMB'000	117,630	147,780	**67,030**
Total charitable donations	RMB'000	240	1,200	**910**
Customer satisfaction	%	93	94	**95**
Percentage of customer complaints being handled	%	100	100	**100**

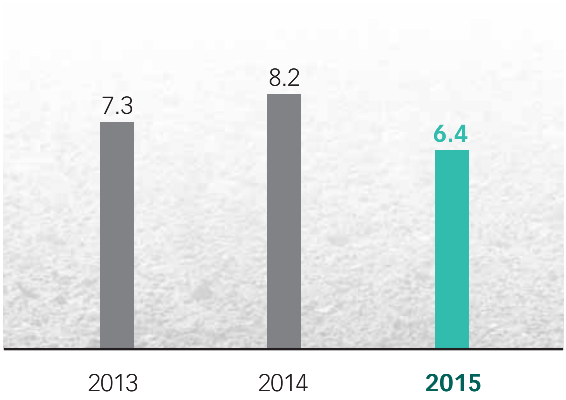
IV. VALUE CREATION

(I) Operating results

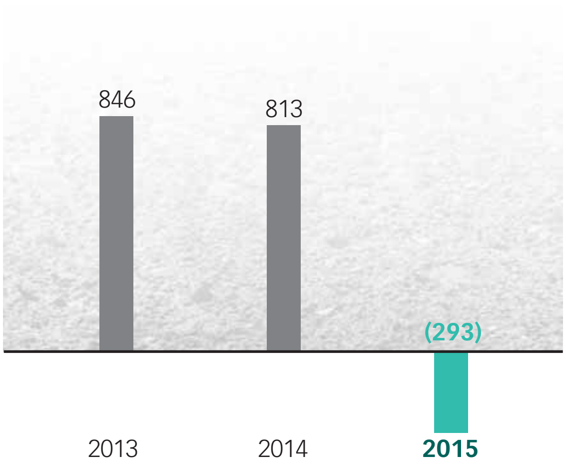
- **Total assets (RMB billion)**



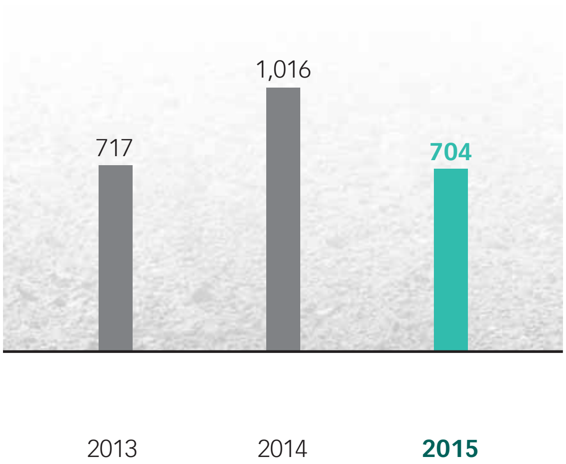
- **Revenue (RMB billion)**



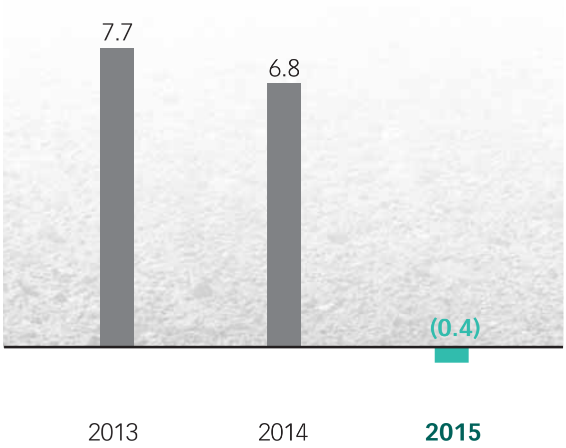
- **Net profit (RMB million)**



- **Income tax expenses (RMB million)**



- **Return on total assets (%)**



(II) Product innovation

Upholding its corporate values of "Integrity, Diligence, Austerity, Prudence and Innovation", the Group is committed to product innovation. As such, the Group keeps researching on ways to improve its product quality, so as to satisfy different customers' requirements.

The additives developed by the Group can effectively improve cement grinding process, while enhancing grinding efficiency and cement quality. The Group produces admixture by grinding a mix of wet fly-ash, limestone detritus, etc, and uses such admixture to substitute for secondary fly-ash or slag powder to manufacture cement. Such method not only enhances cement quality, but also saves costs significantly.

V. COMMITMENT TO CUSTOMERS

The Group embraces Taiwan-based Far Eastern Group's corporate culture, which is built on "Integrity, Diligence, Austerity, Prudence and Innovation". It strives to establish a model cement enterprise that is large, modern and committed to achieving "Three Highs, One Low" target of "High Level of Environmental Protection, High Quality, High Efficiency, and Low Cost.

(I) Maintaining communication with customers

The Group adopts advanced production technology and highly efficient energy saving eco-friendly equipment. Its products feature low energy consumption with quality pass rate reaching 100%. In terms of certain environmental and quality guidance, the products also exceed the national standard. The Group cannot achieve sustainable development without customer's support. As such, the Group not only assures the quality of its products, but also conducts several customer satisfaction surveys every year, in order to understand customer's needs and listen to their opinions. The Group strives to enhance its service quality to meet customers' requirements. Meanwhile, by paying frequent visits to every customer during the ordinary course of business, the Group was able to conduct multi-level face-to-face communication. In addition, the Group often invites its customers to visit and participate in forums, with the aim to enhance communication and trust. This could allow customers to have a more genuine and complete understanding of the Group's advanced management philosophy and production technology, thereby strengthening their confidence in partnering with the Company.

(II) Protecting customers' rights

The Group has strict control over every aspect of its production and product quality, ensuring a 100% pass rate of its products. While assuring quality, the Company also arranges its quality control officers and other professionals to visit construction sites, RMC factories etc, on a regular basis, to give instructions on the use of cement, providing onsite services to customers, passing on relevant experience, addressing key issues and protecting customers from unnecessary loss arising from the misuse of products.

For example, in order to protect end-user rights and maintain market order, Jiangxi Ya Dong Cement Corporation Ltd. under the Group started to use special inkjet coding on its paper bags since November 2015. This helps to promptly identify and seize substandard counterfeits of the Company's brand, thus effectively protecting the rights of end-users.

VI. COMMITMENT TO PARTNERS

(I) Multiple channels to communicate with investors

The Group strives to achieve two-way communication with individual and institutional investors. We believe constant communication can enable the parties to better understand each other's ideas, points of view and concerns.

The Group facilitates direct communication between its management and analysts and/or institutional investors through various channels, including phone calls, face-to-face meetings and factory tours, thereby enhancing investors' understanding of the Company's business development and growth strategies. During the year, our executive directors held various meetings with institutional investors and analysts to gain better understanding of each other.

Shareholders can visit the Group's website (www.achc.com.cn) to obtain the Group's financial information, announcements, circulars, as well as corporate governance and other regular information on a timely basis. To maintain effective communication with shareholders in an environmentally-friendly manner, the Group encourages shareholders to obtain its corporate information through the Group's website.

We encourage shareholders to attend annual general meeting, and meet our directors and senior management. The chairman and other members of the board, as well as external auditors will attend annual general meeting and extraordinary general meeting to answer questions from shareholders.

(II) Sunshine procurement

"Collective procurement" under headquarters' centralised operation is the realisation of procurement of all the raw material of companies under the Group and its overall procurement management. Adhering to the Group's guiding principles of "Integrity, Diligence, Austerity, Prudence and Innovation", the Group meticulously addresses various issues to pursue an innovative, modern and intelligent procurement system operated under a centralised platform by gathering procurement intelligence, leveraging the long-term benefits of centralised management and flexibility of local branches, as well as sharing resources. With this system, the Group maximises cost efficiency, while upholding integrity.

(III) Positive attitude towards media scrutiny

The Group has always paid high regard to its reputation and corporate image. The Company takes a positive attitude towards media scrutiny. It considers comments and suggestions from news articles and public opinions compiled by a designated person during its decision-making process. This approach is an important measure to enhance customers' services and improve product quality.

VII. CARE ABOUT STAFF

Staff are not only fundamental to the existence of an enterprise, but they are also the driver of an enterprise's development. An enterprise needs to establish a harmonious relationship with its staff, and such relationship should be built on mutual respect, trust, encouragement and through growing together. The Group adheres to its "people-oriented" management philosophy, striving to provide a safe and healthy working environment for its staff, while strengthening staff training so that every employee can have the opportunity to demonstrate his/her own value while performing his/her duties and realise career aspirations. Furthermore, the Group pays high regard to safeguard employees' basic rights by constantly increasing employee welfare benefits, which successfully link employees' needs with the Company's interests. The Group has earned excellent social reputation and accolade at different places where it has business presence, setting benchmark for local companies and becoming the most popular company for job seekers. Everyone is proud of being a "Ya Dong employee".

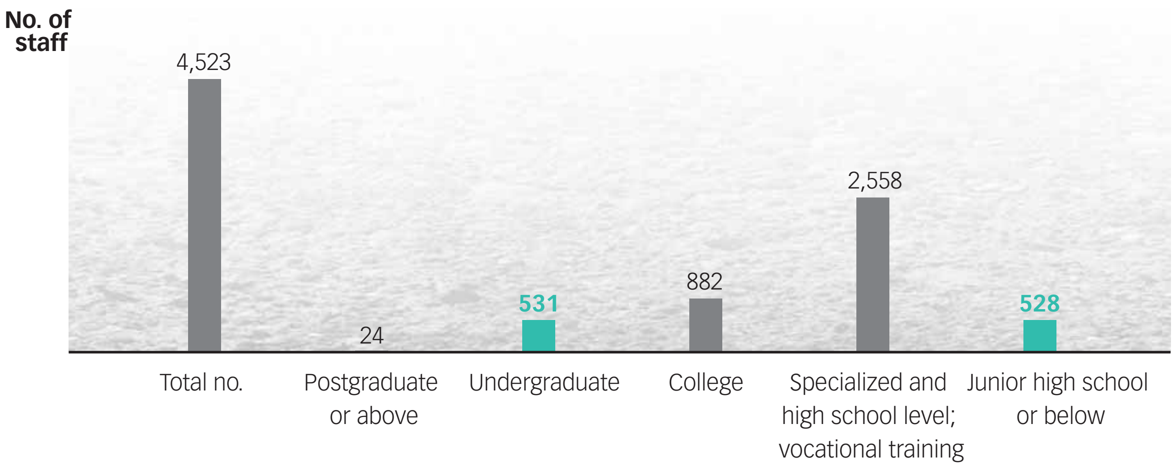
(I) Staff overview

As at 31 December 2015, the Company had a total of 4,523 employees in Mainland China, 85 of which were from Taiwan and 4,438 were from Mainland China. While the Company boasts a Taiwanese professional team with global perspective and extensive management experience, it makes great effort to implement localisation and contributes to the economic development and employment generation in local communities. The Company pays high regard to staff educational background, professionalism and education level, with an aim to enhance the quality of human resources. Over 32% of its staff were with above college level of education, while nearly 90% were with high school level and above.

(II) Staff training

The Company provides plenty development opportunities for every one of its employees to ensure continuing career development for staff at different levels, so as to make the best use of its employees. The Company also mobilises and leverages each employee's personal initiative to stimulate healthy development and growth of the organisation.

2015 Asia Cement (China)'s Staff Educational Level



In addition, in line with human resources development, the Company constantly conducts training programmes that target jobs at different levels and jobs requiring different skills, as well as develops and improves the training system. All these enable the Company to build a professional workforce that comprises skilful workers and managerial staff.

- **Managerial career path**
  To fine-tune its management system and respond to market competition and challenges, the Company has designed a systematic managerial career path, from low-level to mid-level and then to top-level management, adopted job rotation and organised training programmes for different levels, e.g. TWI (Training Within Industry) for team leader management, MTP (Management Training Programme) for mid-level supervisor management, and business management strategy camp for senior supervisors.

- **Technical career path**
  In addition to a managerial career path, the Company also strengthens the training of technical staff by offering a technical career path. This enables the Company to build teams of technical staff, project-related staff and aides such as engineers, managers etc. The Company has also put in place programmes to train them to become managerial staff.

- **Cooperation on vocational education**
  Leveraging its resources, the Group works with Yuan Ze University and Oriental Institute of Technology under Far Eastern Group to carry out vocational education programmes. Under this cooperation, the Group pushes ahead with plans for learning from industry experts, internship and grooming talents, etc, thereby rejuvenating its workforce by infusing young blood. Furthermore, the Group also joins hands with certain cement colleges in Mainland China to ensure supply of talent.

  In 2015, the Group actively forged cooperation with Jiangxi Modern Polytechnic College, selecting a number of students and graduates to visit the Company for training through observation, and to participate in summer internships and work placements with the Company. All these are to help train the student's ability to combine theory with practice, and to provide a platform for students to adapt to a work environment and fit in with work teams.

  To promote partnership between industry and academia, the Company and Jiangxi Modern Polytechnic College co-organised "The 2nd National Vocational Students Skills Competition – Construction Materials". This competition was classified as the second category of national competition. It was a nationwide competition among construction materials vocational training institutes hosted by the Advisory Committee on National Construction Materials Vocational Education and Training. It was also a vocational student skills competition of the highest standard, with the highest quality participants and highest participation in the industry. A total of 102 students from 18 senior vocational institutes and 11 middle vocational institutes from various provinces across the country participated in the competition. To ensure a smooth running of the competition, the Company made a sponsorship of approximately RMB30,000. The Company has established a positive image of actively taking part in community and charitable activities and advocating partnership between industry and academia.

- **Training system**

  The Company has established a comprehensive training system to speed up the pace of staff training, so as to meet its operations' needs. The system includes on-the-job training (apprenticeship), off-the-job training, rookie training, professional skills training, TWI for team leader, MTP for mid-level supervisor, industry exchange meeting, the Group's joint conference in Taiwan and tuition reimbursement. All these are aimed to improve staff's attitudes and skills at work.

  Currently, the Group's training system mainly includes: apprenticeship (pass on skills and experience to the trainee), collective training to sharpen skills of recruits, job-specific training, industry safety training, TWI (training within industry) for team leaders, MTP (management training programme) for mid-level supervisors, industry exchange meeting, the Group's joint conference in Taiwan and other higher education programmes etc. In 2015, the total time spent on training was 96,555 hours, with a total investment of over RMB2.7 million, while the average time spent on training an individual was 21.3 hours, with an investment of about RMB600 per person. The major training programmes implemented in 2015 were as follows:

1) Collective training for recruits: Two collective training programmes were held during the year, training about 230 recruits. Each training programme lasted for six days. The training cost was around RMB200,000.

2) TWI for team leaders: The Group organised seven TWI courses for team leaders during the year, three of which was held in Southeastern region, two in Central region and two in Southwestern region. Each training course lasted for three days. A total of 267 staff participated in the TWI courses, with a total investment of over RMB150,000.

3) MTP for mid-level supervisors: A total of 41 supervisors took part in the training. The accumulated training time was 48 hours per person. The training cost for the MTP programme was approximately RMB220,000.

4) The Group's joint conference in Taiwan: In 2015, 38 people attended the Group's joint conference in Taiwan for 11 days, with a total spending of about RMB510,000.

The Opening Ceremony of 2015 "Skyscraper Trophy" Vocational Skills Competition

The venue of 2015 "Skyscraper Trophy" Vocational Skills Competition

(III) Benefits package

The Group regards employees as its most important asset. The Group wants to attract talents to join the Group by offering competitive remuneration and benefits package. The Group is also committed to providing a quality working environment and challenging work. It strives to cultivate and guide its talented workforce towards recognition of the Group's mission, vision and core values, with an aim to achieve success together. In order to strengthen team building, create a harmonious and favourable working environment and increase staff's sense of belonging and company cohesiveness, the Group has been adhering to its "people-oriented" philosophy, regarding caring about staff as one of its responsibilities, and always make efforts to care about them. In 2015, the Group invested over RMB35 million in staff's benefits package.

- **Provision of uniforms**
  Every year, the Company distributes two sets of uniforms for each of summer and winter free of charge to its workers, and provides a complete set of protective equipment to specific employees at the production sites so as to facilitate their work and ensure their safety by keeping them away from occupational dangers. In 2015, the total cost on purchasing work uniforms amounted to about RMB2.04 million.

- **Meal allowance**
  All the subsidiaries of the Company have their own large scale catering service. Staff only need to pay RMB1 to RMB2 to enjoy a buffet. The main meals, which include a variety of foods with proper amount of nutrition, are prepared under hygienic conditions. Usually there are three meat dishes, four vegetable dishes, one soup and fresh fruits. In 2015, the Company spent over RMB26 million on meal allowance.

Recruit training - Tug-of-war

TWI Training - Team building: domino effect

MTP Training – Outward bound activities

- **Accommodation**
  The rooms of the staff living quarters are for two to four persons. They are all equipped with air conditioning and heating system, CCTV, bathroom with hot water, wired with broadband internet connectivity. Water and electricity are free. Repair and maintenance as well as renovation will be carried out according to staff's request on a timely basis and the useful life of equipment. In 2015, the Company spent over RMB220,000 on the maintenance and renovation of staff living quarters.

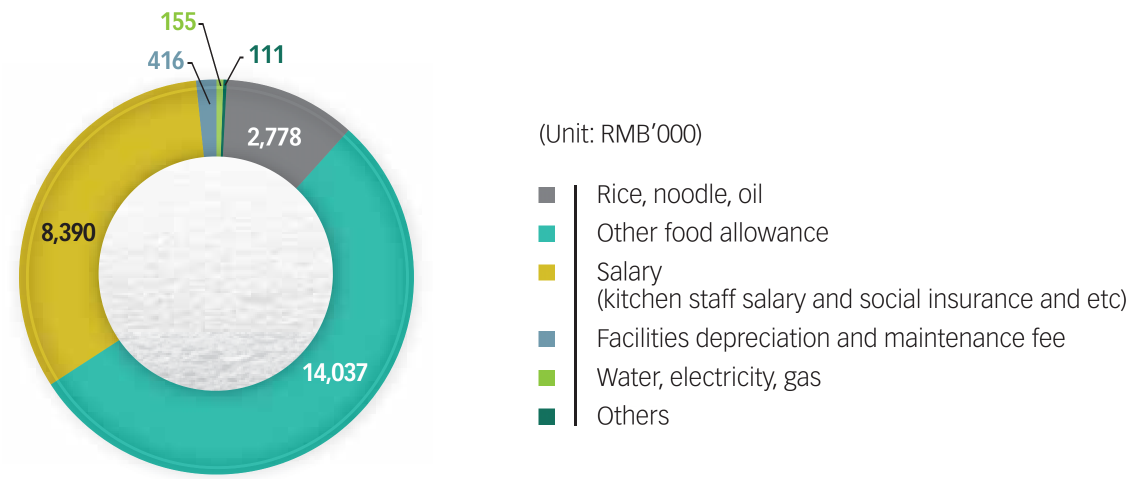
- **Transportation**
  To facilitate staff's daily commute, tackle their commuting problems and protect their safety, the Company provides shuttle bus services on a daily basis. The Company arranges shuttles to run on different routes according to the actual needs. In 2015, the allowance for transportation exceeded RMB1 million. Staff who live along the shuttle routes can apply for shuttle service.

- **Birthday present and money gift**
  On his/her birthday, every employee will receive a birthday card signed by the chairman, vice chairman and CEO of the Group, and a money gift for his/her birthday. In 2015, the Company gifted birthday money presents with a total value of over RMB400,000.

- **Telecom allowance**
  To facilitate staff to handle business-related matters and communicate with each other, the Company subsidised a certain amount of the telecommunication fee for employees (based on job requirement). In 2015, the Company spent over RMB2 million on telecom allowance.

- **Festive celebration**
  In celebration of traditional festivals such as the Dragon Boat Festival, the Mid-Autumn Festival and Chinese New Year, the Company's senior management staff will have dinner with all staff to express appreciation for their contribution, and drink a toast to them. At the end of the year, the Group's chairman will join the annual party to celebrate the year's achievements with staff. At the party, the chairman will also give new year blessing to the staff and encourage them to advance in the year to come. To reinforce the festive spirit, at each annual party there will be a variety of shows and performances, while a grand lucky draw will be held to add sparkles to the party. For the 2015 annual party alone, the Company spent over RMB2 million on food and beverages, shows and performances, as well as lucky draw prizes.

Breakdown of meal allowance of the Group in 2015



- **Welfare council activities**
  According to the size of the plant, subsidiaries of the Company build leisure facilities including basketball court, badminton court, tennis court, ping pong room, snooker room, chess and card rooms, reading room, gymnasium and KTV room. They also set up tennis club, basketball club, badminton club, soccer club, ping pong club, chess and card club, and hiking club, while a wide range of activities such as ball games, tours, fishing games and parties are held regularly. These activities help staff relieve job stress, enhance communication between colleagues and establish a more harmonious working environment. During the year of 2015, the cash prizes given to winners of games organised by the clubs amounted to over RMB200,000.

- **Helping one another in times of trouble**
  The Company strives to promote solidarity and friendship, and the spirit of helping one another. It advocates staff to be compassionate, resolving major crises of individuals with the help of other colleagues. Apart from having an employee welfare protection plan by formulating measures such as "Emergency Assistance Management Measures" and "Marriage and Funeral Money Gift Management Measures", the Company has organised several fund-raising events led by senior supervisors, with other staff actively contributing their shares, thereby amassing every bit of effort to help one another in times of trouble. In 2015, the Company mobilised staff support to assist each other in facing four crises, and donated a total amount of over RMB200,000 in this aspect.

The old house of a poor family in Chaqi Village, Guihua Town before the construction of a new house funded by Sichuan Lanfeng)

The construction of a new house funded by Sichuan Lanfeng for a poor family in Chaqi Village, Guihua Town

Type	Date	Incident	Amount
Helping one another in times of trouble	January 2015	Fundraising at Jiangxi Ya Dong for a colleague who was sick	RMB98,270
	February 2015	Sichuan Lanfeng showed concern for a colleague with difficulties during Chinese New Year	RMB16,000
	August 2015	Donation at Yangzhou Ya Dong for a colleague who was sick	RMB17,400
	September 2015	Fundraising at Jiangxi Ya Dong for a colleague who had a serious traffic accident	RMB72,746

Incidents of helping one another in times of trouble at the Group in 2015

Case 1: On 11 August 2015, while on his way home after work, Xu Binbin, a security guard of Jiangxi Ya Dong's security team, had a severe traffic accident at the crossroad of Huayuan Secondary School, Huayuanxiang, Ruichang City. He suffered from extracranial hematoma, aspiration pneumonia and serious fracture on the left shoulder due to the accident. According to the diagnosis of a doctor at the hospital, the accident had left Xu in a life-threatening condition, and the possibility that Xu remained in a vegetative state was very high, while subsequent treatments would be lengthy and extremely expensive. The Company immediately took RMB5,000 out of the welfare fund and paid a consolation visit to Xu. It also initiated a fundraising exercise that demonstrated "Ya Dong Employees'" generosity and love. A total of RMB72,746 had been raised.

Case 2: Li Jinshui, a member of excavation team 1 of Jiangxi Ya Dong, fainted during lunch on 23 November 2014 and was rushed to Jiujiang 171 Hospital for emergency treatment. He was diagnosed with a glioma in the brain and the situation was critical. He was under emergency treatment for eight days. The medical bill was huge, and subsequent treatment would be lengthy. The medical and treatment expenses would be at least over RMB200,000. Life had not been easy for Li. His father died of cancer when he was 13. He was left with his mother and had been leading a meagre life since then. Li could not afford to pay for the enormous medical expenses. The Company immediately took RMB5,000 out of the welfare fund and paid a consolation visit to Li. It also initiated a fundraising exercise that demonstrated "Ya Dong Employees'" generosity and love. A total of RMB RMB98,270 had been raised.

(IV) Fun staff activities

The Group and its subsidiaries organise various staff travel activities on a regular basis. In 2015, there were over 1,700 enrolments for tours of different places, including Huangshan, Dali, and Guilin.

Operational region	Name of subsidiary	Travel activity	Enrolment
Eastern region	Yangzhou Ya Dong	2-day tour of Anhui Mount Tianzhu	60
		2-day tour of Zhejiang Tonglu	108
	Shanghai Ya Li	2-day tour of Qinhu Wetland	112
Central region	Wuhan Ya Dong	3-day tour of Enshi Gorge	34
		1-day tour of Wuhan International Garden Expo	25
	Wuhan Yaxin	2-day tour of Nanjing – Yangzhou	169
		3-day tour of Anhui Huangshan	134
Southwestern region	Sichuan Lanfeng	1-day tour of Xinjin	62
		4-day tour of Lijiang	25
	Sichuan Yadong	3-day tour of Lijiang – Dali	30
Southeastern region	Jiangxi Ya Dong	3-day tour of The Three Gorges Dam	262
		3-day tour of Beijing	289
	Jiangxi Ya Li	3-day tour of the Wudang Mountains – Shennongjia	31
		3-day tour of Xiamen	23
		2-day tour of Hengdian	25
	Huanggang Yadong	3-day tour of Enshi Gorge	36
		3-day tour of Suzhou – Hangzhou – Wuzhen	159
	Nanchang Yadong	3-day tour of Guilin	25
		3-day tour of Beijing	29
	Nanchang Yali	3-day tour of Zhengzhou – Luoyang	39
		5-day tour of Lijiang – Dali	30

Table of 2015 travel activities of the Group's subsidiaries

Huanggang Yadong 2015 Autumn Enshi Tour

Huanggang Yadong 201 5 Tour of Suzhou – Hangzhou – Wuzhen

VIII. PRODUCTION SAFETY

(I) The Group's Environmental, Health and Safety ("EHS") Management System

1. The Group's safety culture

- *Safety vision*
  - Integrity, Diligence, Austerity, Prudence
  - Innovative Development
  - Safety Awareness Across the Board
  - Asia Cement – A Safe Workplace

  Employees of the Group are sincere and diligent, simple and prudent, and keep abreast of latest development. Together they help build a happy workplace.

- *Safety and health policy*
  - safety first, emphasis on prevention;
  - total involvement, comprehensive treatment;
  - reduce pollution, keep healthy;
  - compliance with laws and regulations, constant improvement;
  - gradual enhancement in performance, with controllable risks

- *Safety and health goals*
  - accident results in critical injuries or deaths: 0;
  - minor injuries per 1 million working hours: ≤ 5 incidents;
  - occupational diseases (diagnosed): 0;
  - major accidents associated with equipment, fire, explosion and traffic: 0;
  - passing rate of toxic dust at production site: 95%

- *Safety and environmental protection recommendations*
  - production can only be carried out in a safe and clean environment;
  - safety is an economic benefit, while environmental protection is a social responsibility

2. **Establishment of management system**

In response to the government's appeal of "energy-saving and low-carbon action", the Group prepared for the establishment of an ISO 50001 energy management system according to the requirements for GB/T 23331-2012/ ISO 50001:2011 energy management system, and successively obtained such certification. The Group has also been awarded ISO 9001 quality management system certification, ISO 14001 environmental management system certification, as well as OHSAS 18001 occupational health and safety management system certification.

(II) Establishment of emergency response system

- **Emergency response mechanism**

  The Group has established an emergency response management unit, and has clearly defined the job responsibilities of the emergency control center, and the site emergency handling team, site precaution team, back up protection team, incident investigation team under the control center. It assigns different departments and people to deal with different categories of emergency such as natural disasters, production safety, environmental emergencies, public safety and health. The Group has formulated Emergency Response Plans for Production Safety Incidents, including Comprehensive Emergency Response Plans, Special Emergency Response Plans and Plans for Handling Situation at The Scene.

- **Emergency management training and drill**

  In 2015, the Group held 171 emergency drills of various kinds, with over 1,900 participants. It has also invited Red Cross and Emergency Rescue Center to provide first-aid training, including CPR, trauma emergency treatment and earthquake escape knowledge, etc. By learning through drills, action plans can be improved, making the emergency plans more practical, useful and reliable. The Group has also clearly defined responsibilities of relevant staff, and has reviewed the emergency response procedures so that it could achieve quick response, timely rescue as well as disaster management.

First-aid Training (1)

First-aid Training (2)

(III) Production safety supervision and management

- **Implementing measures to meet China's 2nd grade national safety standards**

  Jiangxi Ya Dong, Sichuan Yadong, Huanggang Yadong and Hubei Yadong all meet China's 2nd grade national safety standards, while other companies meet China 3rd grade national safety standards. By implementing production safety standardization, the Group has established a complete safety management structure, and put in place a safety responsibility system at all levels of the organization. The Group will also establish a comprehensive set of standard practice for each position; as of now, it has completed 238 standards. One or more safety supervisors and safety inspectors have been assigned to each production team. These safety supervisors and inspectors will conduct daily on-site inspection and report the results to general manager and workshop supervisors. Each month, those who rank in the top half on the number of problems found will be awarded, and each quarter, fault finders ranking in the top half will also be awarded during the quarterly large-scale safety inspection led by factory heads. The Group has also formulated "Standards for Giving Awards and Punishment To Regulate Staff Safety Behavior", and "Construction Safety and Sanitation Rules for Contractors" to punish and educate staff and staff of contractors who have violated the rules. As such, the Group has developed a safety culture where "people manage safety, and safety measures benefit people."

- **"Production Safety Month" activities**

  The 14th National Production Safety Month took place in June 2015, focusing on the theme of "Strengthen Safety Law Enforcement To Safeguard Production Safety". In response to the theme, subsidiaries of the Group have organized a wide range of activities. For instance, Jiangxi Ya Dong and Sichuan Yadong put up safety promotion posters on bulletin boards, and showed safety educational films in workshops; Huanggang Yadong participated in Online Quiz on Occupational Health organized by Hubei Provincial Safety Production Supervision Administration; and Wuhan Yaxin took part in the "Production Safety Month" activity organized by the Safety Production Supervision Administration.

Wuhan Yaxin participated in the "Production Safety Month" activity organized by The Safety Production Supervision Administration

- **Safety training for relevant third parties**
  The Company is committed to carry out safety management, and requires relevant third parties to implement safety management systems with the same commitment. During discussion with the relevant third parties on preliminary work, the Company will notify the relevant third parties about risks and hazardous factors in advance and sign Production Safety Agreement and Construction Safety and Sanitation Rules for Contractors. Every staff of the relevant third parties who work in the Company's factories is required to receive 3-level safety education and training. Grade 1 basic knowledge on safety will be taught by their supervisor; Grade 2 will include safety management rules to be taught by the Company's professional safety management unit, watching safety education films as well as discussion and analysis of accidents; Grade 3 will be taught by the Company's responsible units on the potential dangers and hazardous factors of workplace, safety techniques, preventative measures, emergency rescue, etc. Only those who have received complete safety education and training, and know safety techniques can work in the Company's factories.

Jiangxi Ya Dong received a certificate of Environmental Protection Model Enterprise of Large-Scale Cement Group in China

IX. GREEN DEVELOPMENT

(I) Environmental protection begins with production plant construction

Being proactive in its response to the State's policies, the Company has set energy saving and emission reduction as its objective. By implementing measures to achieve this goal, the Company not only fulfills the State's requirement of energy saving and emission reduction, but also reduces production costs and improve economic benefits through energy saving and consumption reduction. In September 2013, the country's Ministry of Industry and Information Technology put Jiangxi Ya Dong Cement Corporation Ltd. on the list of national model enterprise for clean production; in April 2015, Jiangxi Ya Dong Cement Corporation Ltd received from China Cement Association a certificate of "Environmental Protection Model Enterprise of Large-Scale Cement Group in China".

(II) Energy saving and emission reduction

- **Stable operation of denitrification facilities to reduce nitrogen oxide emission**
  All the denitrification facilities of the Group (China)'s production lines have been running steadily. Since the beginning of 2015, nitrogen oxide emission has remained at a concentration level lower than the emission standard set in "GB4915-2013 Emission Standard of Air Pollutants for Cement Industry", which was officially implemented on 1 July 2015. The operation of the Company's environmental protection facilities was fully endorsed by the Ministry of Environmental Protection, provincial environmental protection departments and local environmental protection departments. In addition, the Group also received subsidies for environmental protection measures of approximately RMB18 million, and three to four of its subsidiaries have been named as "100 Model Companies for Energy Saving and Emission Reduction".

- **Pure low-temperature residual heat power generation to conserve coal and reduce emission**
  Subsidiaries of the Group have utilized the residual heat from the feeding and emission ends of rotary kilns to generate power. In 2015, the total amount of power generated by residual heat was 591.55 million units, equivalent to a saving of 189,890 tonnes of standard coal if calculated according to the coal consumption rate for electricity generation of 321g/kWh published by the National Energy Administration of China in 2013. If 2.66 tonnes of carbon dioxide are generated for each tonne of standard coal consumed, a total of 505,100 tonnes of carbon dioxide emission could be reduced; if 0.0192 tonne of sulfur dioxide is generated for each tonne of standard coal consumed, then 3,600 tonnes of sulfur dioxide emission could be reduced.

(III) Circular economy and renewable resources

- **Circular economy and green development**
  The Group's integrated rotary kilns are installed with residual heat power generators, using the residual heat from the kiln's feeding and emission ends for power generation. In 2015, the total amount of power generated by residual heat was 461 million units, equivalent to a saving of 1,480,000 tonnes of standard coal if calculated according to the coal consumption rate for electricity generation of 321g/kWh published by the National Energy Administration of China in 2013. If 2.66 tonnes of carbon dioxide are generated for each tonne of standard coal consumed, a total of 3,936,800 tonnes of carbon dioxide emission could be reduced; if 0.0192 tonne of sulfur dioxide is generated for each tonne of standard coal consumed, then 28,400 tonnes of sulfur dioxide emission could be reduced.

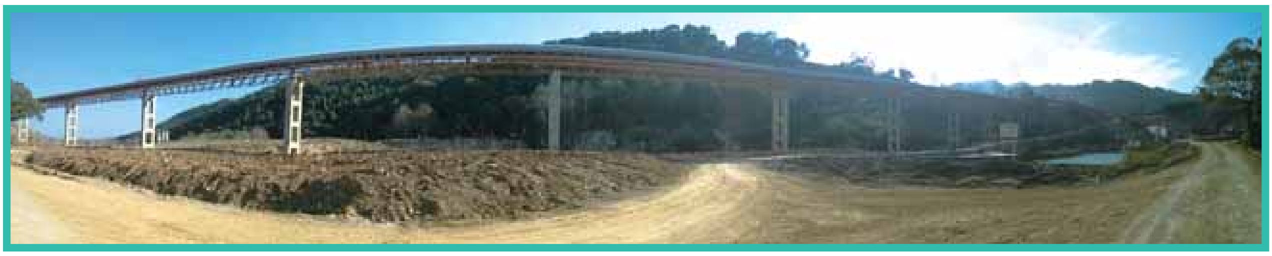
  The Group embraces Taiwan-based Far Eastern Group's corporate culture, which is built on "Integrity, Diligence, Austerity, Prudence and Innovation". It strives to establish in Mainland China a model cement enterprise that is large, modern and committed to achieving "Three Highs, One Low" target of "High Level of Environmental Protection, High Quality, High Efficiency, and Low Cost". It will continue to meet the yardsticks in "environmental protection, technology, management and efficiency", thereby laying a solid foundation for its sustainable development and setting examples in realising the co-existence of industrial development and environmental protection.

- **Implementing ecological restoration to mines; building "green mines"**
  The Group pays high regard to mine reclamation. Copying success from its mine reclamation in Taiwan and strictly adhering to its "mine reclamation" standards, the Group incorporates mine reclamation into its production development plan, implementing sustainable development strategy and the policy of "protect the environment while developing; develop while protecting the environment".

In the mining areas, the Group aims at reducing impact on the habitat of animals and plants from its production activities, thereby ensuring a healthy living environment and continual existence of species residing within the district. This can be achieved through various methods, including reusing water resources in mines, zero sewage discharge, promptly recycling waste oils, improving blasting shock absorption and vibration control technology. Timely reclamation and restoration of water in soil are used for side slopes and permanent districts. This not only reduces damage to the ecological environment, but also gradually restores the natural scenery. For the unmined areas, the indigenous plant and wild animals are protected through setting protected areas and prohibited zones, thereby reducing migration and extinction of species due to human factors.

Case 1: At Jiangxi Ya Dong Huawu Sandstone Mine, side slope reclamation of approximately 200 meters was completed in 2015, while slope protection works covering approximately 240 meters had been carried out on the mountain behind Xiakuangkou of Jinsi Village where #2 transportation system ran through. Reclamation of an area of 60,000 square meters has been planned for 2016 for the limestone mine where a new wood crusher system has been built, with an investment of RMB260,000. The reclamation area of the ultimate pit slope of the sandstone mine is planned to be 10,000 square meters, with an investment of RMB200,000.

Case 2: Sichuan Yadong under the Company invested approximately RMB80 million in 2014 in the construction of #2 mine transportation system, which was completed at the end of 2014, commenced trial run in January 2015 and was officially put into operation in March. Since the inauguration of the transportation system, power consumed for limestone production from the mine reduced by approximately 30% on average per month, while safety of the transportation system as well as resource comprehensive utilization rate had been increased. In 2015, the Company invested approximately RMB40 million to relocate #1 crusher to the central quarry area of Woniuping Mine and upgraded the single rotor hammer crusher to double rotor. This would not only lift the resource comprehensive utilization rate, but also shorten the distance for transporting mineral ores, thereby reducing diesel consumption. Construction of this project was completed in mid October 2015, and testing took place on 21 October. Trial run is currently being carried out. In 2015, the mine spent approximately RMB13,000



New wood crusher system at Jiangxi Ya Dong's limestone mine on the purchase of grass seeds, which were used to reclaim certain paths leading to the quarry, side slopes of the mine, as well as the side slope where #2 transportation system ran along, so as to effectively minimize water loss and erosion, as well as to prevent landslide.

Case 3: To speed up mine reclamation process, increase tree survival rates and shorten growing time, Huanggang Yadong has transplanted nearly 1,000 trees of 1 year old and over 1 meter high originally grew on the slope of the mine according to mine reclamation requirements and guidance from the authority, Remarkable results had been achieved, with accelerated restoration process of side slopes with greenery. In 2015, the Company transplanted a total of 558 trees over an aggregate reclamation area of approximately 6,700 square meters of four zones required for rehabilitation of the mine. The transplanted trees included 428 locust trees, 67 camphora trees, and 63 pine trees. Of the transplanted trees, 180 trees, with a survival rate of approximately 90%, were moved to the north ultimate pit slope with an area of 2,000 square meters of SL274M platform of Yangchengshan Quarry; 172 trees, with a survival rate of approximately 76%, were moved to the north ultimate pit slope with an area of 2,000 square meters of SL220-172M platform of Bagetou Quarry; 160 trees, with a survival rate of approximately 75%, were moved to the north ultimate pit slope with an area of 2,500 square meters of SL172-136M platform of Lianhuashan Quarry; 46 trees, with a survival rate of approximately 80%, were moved to an area covering 200 square meters next to the tailings pond of Yuanyishan Quarry's waste dump. To prevent soil erosion through waste reduction, Huanggang Yadong upgraded its cement sintering technology. Without compromising the cement quality, 310,705 tonnes of unwanted high magnesium ores were mixed and added in 2015. After sintering, both cement capacity and quality remained the same as before. Apart from lowering fuel consumption for piling up wastes, conversion of waste rocks, which would otherwise be dumped, into useable cement achieves the objective of recycling of materials and, on top of that, allows the Group to fulfil its corporate social responsibility by alleviating the potential dangers of water loss and soil erosion from unwanted waste dumps, as well as potential impact on the landscape. In 2016, Huanggang Yadong plans to transplant trees for mine reclamation over an area of 5,750 square meters.


Sichuan Yadong #2 transportation system

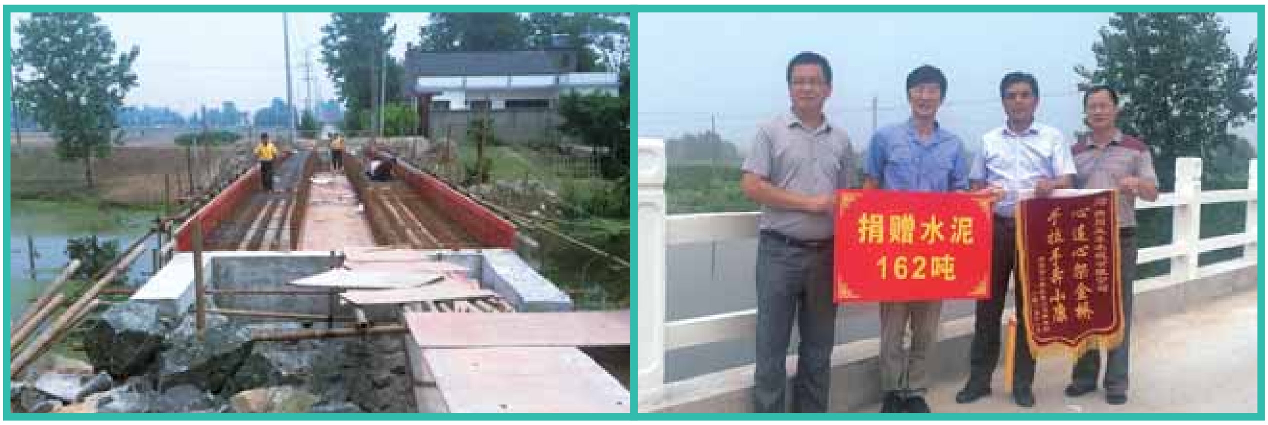

By the side of the tailings pond of Yuanyishan Quarry's waste dump

X. COMMUNITY AND CHARITABLE ACTIVITIES

The Group actively takes part in community and charitable activities. Its subsidiaries actively donate cement to help surrounding villages repair bridges, construct roads, and improve infrastructure facilities. For people living in poverty, the Group helps them through donating money or goods. Since the Group's inception, it has donated over RMB21 million to external parties. (Between 2013 and 2015 years, the Group donated RMB4,137,700.) In 2015, Asia Cement (China) made 44 donations with a total amount of RMB911,000.

Type	Date	Incident	Contribution
Charitable activities	February 2015	Sichuan Lanfeng visited destitute families at Hongqiao Village	RMB10,000
	April 2015	Sichuan Lanfeng repaired houses for poor families in Guihua Town of Pengzhou City	10 tonnes of cement
	May 2015	Yangzhou "5.19" One-day Charitable Donation	RMB15,207
	July 2015	Jiangxi Ya Dong fire rescue team took part in putting out fire of a shop	Fire rescue team and fire engine of Jiangxi Yadong
	August 2015	Yangzhou Ya Dong assisted in the construction of a bridge in Fanchuan Town, Jiangdou District of Yangzhou City	162 tonnes of cement
	November 2015	Jiangxi Ya Dong fire rescue team took part in putting out fire of a house	Fire rescue team and fire engine of Jiangxi Ya Dong
	December 2015	Jiangxi Ya Dong fire rescue team took part in putting out fire of a hotel's kitchen	Fire rescue team and fire engine of Jiangxi Ya Dong

Record of the Group helping one another in times of trouble and charitable activities in 2015



The construction and completion of a bridge with the aid of Yangzhou Ya Dong in Fanchuan Town, Jiangdou District of Yangzhou City

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 144 to 146 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year under review.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on page 14 to 23 of the annual report. This discussion forms part of this "Report of the Directors".

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 70 of this annual report.

The Directors recommended the payment of a final dividend of RMB5 cents per ordinary share, totaling RMB78,342,550 in respect of the year to shareholders on the register of members on 3 June 2016. The proposed final dividend for the year ended 31 December 2015 has been approved at the Company's Board meeting on 18 March 2016. Details of the dividends for the year ended 31 December 2015 are set forth in note 15 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2016 to Tuesday, 24 May 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 18 May 2016.

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 Friday, 3 June 2016 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 June 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in the consolidated statement of changes in equity on page 73 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,609.4 million. The amount of approximately RMB2,609.4 million includes the Company's share premium account of approximately RMB3,431.8 million and accumulated losses of approximately RMB822.4 million in aggregate as at 31 December 2015, 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 RMB0.91 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 17 to the 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 36 and 40 to the financial 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.

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 2014 and 2015.
— 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 2014 and 2015.
— 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 2015 are set out in Note 42 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)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang

Non-executive Director

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

Independent non-executive Directors

Mr. LIU, Zhen-tao (passed away on 24 February 2015)
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy (resigned on 3 August 2015)
Mr. WANG, Wei (appointed on 13 April 2015)
Mr. LEE, Kao-chao (appointed on 13 April 2015)
Dr. WANG, Kuo-ming (appointed on 1 October 2015)

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 32 to 35 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 2015 are set out in note 14 to the 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 2015.

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 2015 or at any time during the financial year ended 31 December 2015.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 30 June 2014, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

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

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years, 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 2015, 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

	Number of ordinary shares			
Name of Director	Personal interests	Equity derivatives	Total interests	% of the Company's issued shares
Mr. Hsu, Shu-ping	200,000	–	200,000	0.01%
Mr. Chang, Tsai-hsiung	1,322,000	–	1,322,000	0.08%
Mr. Wu, Chung-lih	400,000	–	400,000	0.03%
Madam Chiang Shao, Ruey-huey	482,000	–	482,000	0.03%
Mr. Hsu, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. Chang, Chen-kuen	430,000	–	430,000	0.03%
Mr. Lin, Seng-chang	400,000	–	400,000	0.03%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Hsu, Shu-ping	Asia Cement Corporation ("Asia Cement")	11,454,981	–	–	11,454,981	0.34%
Mr. Chang, Tsai-hsiung	Asia Cement	459,350	60,877	–	520,227	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	67,431	2,442	–	69,873	0.002%
	Oriental Industrial	1,000	–	–	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	23,278,334	8,124,332	–	31,402,666	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial	4,000	–	–	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	24,387	5,358	–	29,745	0.0009%
Mr. Lin, Seng-chang	Asia Cement	16,892	476	–	17,368	0.0005%
Dr. Wang, Kuo-ming	Asia Cement	–	1,841	–	1,841	0.00005%

Save as disclosed above, as at 31 December 2015, 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 2015 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%
Invesco Hong Kong Limited	Investment Manager	78,512,000	5.04%

Note:

1. *Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore holds approximately 4.10% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 0.71% interest of the Company under the SFO.*

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

Pursuant to the pre-IPO share option scheme adopted on 13 December 2007, the Company has granted certain options to eligible directors, senior management and employees of the Group (the "Pre-IPO Share Option Scheme") to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 85% of the final offer price to the public.

As disclosed in the 2014 Annual Report of the Company, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, of which 977,000 share options have been cancelled and 10,601,000 share options have been exercised during the year ended 31 December 2014. Such options were exercised at HK$4.2075 per share, representing 78.8% to the weighted average closing price of the shares (i.e. HK$5.34 per share) of the Company immediately before the date on which the options were exercised.

The Pre-IPO Share Option Scheme had remained in force for a period of 6 years from the grant date and such period had been extended for one more year to 17 April 2015 as approved by the independent shareholders of the Company. As at the date of this Annual Report, no options remained outstanding and no further options may be granted under the Pre-IPO Share Option Scheme after the listing of the Company's shares on the Main Board of the Stock Exchange on 20 May 2008. Therefore, no shares were available for issue under the Pre-IPO Share Option Scheme as at the date of this annual report.

(b) Share Option Scheme

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

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

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

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

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

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

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

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

The Share Option Scheme will expire on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2015, 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 2015.

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.

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, 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 2015 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 2015, (b) no new competing business was reported by each of Asia Cement and Far Eastern as at 31 December 2015; 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 2015.

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 2015.

LONG TERM RECEIVABLES

Details of long term receivables from the Wuhan City Government are set out in note 33 to the financial statements.

Receivable from the Wuhan City Government

During 2015, RMB2 million had been repaid by Wuhan City Government, this amount was related to the repayment of receivable that Asia Cement has provided an indemnity in respect of its loss.

The Directors are of the view that since Hubei Yadong is expected to continue operation and remain profitable, it will have positive tax obligation. As such, the Directors expect that, through (i) the continual repayments made by Wuhan City government and (ii) offsetting 50% of certain taxes, the Directors consider that these advances will be fully recoverable by 2015.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2015.

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

On 30 April 2015, 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 pursuant to which Jiangxi Yadong has agreed to sell and Asia Cement Corporation has agreed to buy ordinary Portland cement in bulk. The Sale and Purchase Agreement is for a term commencing from 30 April 2015 to 31 December 2015.

Pursuant to the Sale and Purchase Agreement, Jiangxi Yadong shall supply to Asia Cement Corporation 360,000 metric tonnes to 440,000 metric tonnes of cement for the period from 1 May 2015 to 31 December 2015. The unit selling price is based on the actual transaction unit price per metric tonnes which is equivalent to the Buyer's selling price to its customers after deducting US$1 (representing the Buyer's operating charge) but in any event within the range of US$45 to US$47 metric ton (after deduction of the Buyer's operating charge), for loading at the Taizhou Port, Jiangsu Province, the People's Republic of China.

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

For the year ended 31 December 2015, the transaction amount under the Sales and Purchase Agreement was US$10,648,903, where the relevant annual cap was US$20,680,000.

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

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

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

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

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

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

(iv) has not exceeded its maximum aggregate annual value set out above for the financial year ended 31 December 2015.

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.

AUDITORS

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

On behalf of the Board
HSU Shu-tong
Chairman

18 March 2016

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)

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 70 to 149, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**6,391,165**	8,193,716
Cost of sales		**(5,434,903)**	(6,282,321)
Gross profit		**956,262**	1,911,395
Other income	9	**128,548**	161,430
Other gains and losses	10	**(419,610)**	(43,761)
Distribution and selling expenses		**(415,318)**	(415,017)
Administrative expenses		**(322,460)**	(339,164)
Finance costs	11	**(177,673)**	(188,151)
Share of profits of joint ventures		**1,518**	4,183
Share of profit of an associate		**1,398**	193
(Loss) profit before tax		**(247,335)**	1,091,108
Income tax expense	12	**(45,375)**	(278,128)
(Loss) profit for the year	13	**(292,710)**	812,980
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sales investment		**–**	(379)
Fair value gain on a hedging instruments in cash flow hedges		**2,876**	3,424
Total comprehensive (loss) income for the year		**(289,834)**	816,025
(Loss) profit for the year attributable to:			
Owners of the Company		**(299,123)**	790,313
Non-controlling interests		**6,413**	22,667
		(292,710)	812,980
Total comprehensive (loss) income for the year attributable to:			
Owners of the Company		**(296,247)**	793,358
Non-controlling interests		**6,413**	22,667
		(289,834)	816,025
		RMB	RMB
(Loss) earnings per share	16		
Basic (RMB cents per share)		**(0.191)**	0.507
Diluted (RMB cents per share)		**(0.191)**	0.506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	10,879,534	11,364,794
Quarry	18	256,476	266,118
Prepaid lease payments	19	640,879	663,148
Investment properties	20	20,950	–
Goodwill	21	693,000	693,000
Other intangible assets	22	4,638	8,554
Interest in joint ventures	23	74,345	75,613
Interest in an associate	24	17,711	17,113
Restricted bank deposits	29	29,106	25,840
Deferred tax assets	32	72,531	29,766
Long term receivables	33	–	22,380
Long term prepaid rental	34	29,057	31,864
		12,718,227	13,198,190
CURRENT ASSETS			
Inventories	25	740,781	966,335
Long term receivables – due within one year	33	27,953	20,573
Trade and other receivables	26	2,510,213	3,039,842
Prepaid lease payments	19	20,150	18,118
Loans to related companies	27	456,935	437,000
Amount due from an associate	27	7,247	–
Amount due from a joint venture	27	36,058	–
Restricted bank deposits	29	4,366	18,347
Bank balances and cash	29	1,105,250	2,324,584
		4,908,953	6,824,799
CURRENT LIABILITIES			
Trade and other payables	30	1,041,963	1,201,699
Amount due to a joint venture	27	18,160	6,668
Amount due to ultimate holding company	27	828	–
Tax payables		10,847	46,874
Derivative liabilities	28	–	2,876
Borrowings – due within one year	31	3,379,212	4,804,222
		4,451,010	6,062,339
NET CURRENT ASSETS		457,943	762,460
TOTAL ASSETS LESS CURRENT LIABILITIES		13,176,170	13,960,650

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*31*	**3,565,860**	3,814,465
Deferred tax liability	*32*	**21,170**	27,839
Provision for environmental restoration	*35*	**18,214**	13,212
		3,605,244	3,855,516
NET ASSETS		**9,570,926**	10,105,134
CAPITAL AND RESERVES			
Share capital	*36*	**140,390**	140,390
Reserves		**9,158,952**	9,690,227
Equity attributable to owners of the Company		**9,299,342**	9,830,617
Non-controlling interests		**271,584**	274,517
TOTAL EQUITY		**9,570,926**	10,105,134

The consolidated financial statements on pages 70 to 149 were approved and authorised for issue by the Board of Directors on 18 March 2016 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 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserve RMB'000 *(note c)*	Share option reserve RMB'000	Hedging reserve RMB'000 *(note e)*	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2014	139,549	3,376,570	965,755	286,038	1,635,906	22,639	(6,300)	379	2,814,813	9,235,349	242,474	9,477,823
Profit for the year	–	–	–	–	–	–	–	–	790,313	790,313	22,667	812,980
Other comprehensive income for the year	–	–	–	–	–	–	3,424	(379)	–	3,045	–	3,045
Total comprehensive income for the year	–	–	–	–	–	–	3,424	(379)	790,313	793,358	22,667	816,025
Contribution from non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	–	–	18,504	18,504
Appropriation	–	–	196,748	–	–	–	–	–	(196,748)	–	–	–
Issue of ordinary shares under Pre-IPO share option scheme *(note 40)*	841	55,236	–	–	–	(20,729)	–	–	–	35,348	–	35,348
Expiration of options under |Pre-IPO share options scheme *(note 40)*	–	–	–	–	–	(1,910)	–	–	1,910	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(233,438)	(233,438)	–	(233,438)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,128)	(9,128)
Balance at 31 December 2014	140,390	3,431,806	1,162,503	286,038	1,635,906	–	(2,876)	–	3,176,850	9,830,617	274,517	10,105,134
(Loss) profit for the year	–	–	–	–	–	–	–	–	(299,123)	(299,123)	6,413	(292,710)
Other comprehensive income for the year	–	–	–	–	–	–	2,876	–	–	2,876	–	2,876
Total comprehensive (loss) income for the year	–	–	–	–	–	–	2,876	–	(299,123)	(296,247)	6,413	(289,834)
Appropriation	–	–	188,566	–	–	–	–	–	(188,566)	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(235,028)	(235,028)	–	(235,028)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,346)	(9,346)
Balance at 31 December 2015	140,390	3,431,806	1,351,069	286,038	1,635,906	–	–	–	2,454,133	9,299,342	271,584	9,570,926

Notes:

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

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

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

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

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

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

d. *The capital contribution from non-controlling shareholders represents their share of additional contributed capital of US$3,000,000 (equivalent to RMB18,504,000) in Jiangxi Ya Dong Cement Corporation Ltd. ("Jiangxi Ya Dong"). The registered capital of Jiangxi Ya Dong were increased during the year ended 31 December 2014 and contributed by the Group and the non-controlling shareholders on a pro rata basis based on the existing ownership.*

e. *The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2014 of US$35,000,000 was entered into to hedge against cash flow interest rate risk in relation to a bank loan. The USD interest rate swap was matured in 2015, details of the derivative financial instrument have been disclosed in note 28.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(247,335)**	1,091,108
Adjustments for:		
Depreciation and amortisation	**899,602**	978,082
Finance costs	**177,673**	188,151
Fair value change on investment properties	**5,050**	–
Allowance for doubtful debts, net	**41,877**	31,974
Provision for environmental restoration	**5,002**	4,160
Loss on disposal/write off of property, plant and equipment	**3,171**	1,346
Loss on disposal of intangible assets	**4**	–
Impairment loss on joint venture	**861**	–
Interest income on bank deposits	**(41,620)**	(46,197)
Interest income on held-to-maturity investments	**–**	(2,654)
Share of profits of joint ventures	**(1,518)**	(4,183)
Share of profit of an associate	**(1,398)**	(193)
Operating cash flows increase before movements in working capital	**841,369**	2,241,594
Decrease in trade and other payables	**(143,480)**	(830,279)
Decrease (increase) in inventories	**225,554**	(162,680)
Decrease (increase) in trade and other receivables	**487,752**	(181,639)
Increase (decrease) in amount due to a joint venture	**11,492**	(197)
Increase in amount due to ultimate holding company	**828**	–
Increase in amount due from an associate	**(7,247)**	–
Increase in amount due from a joint venture	**(36,058)**	–
Cash generated from operations	**1,380,210**	1,066,799
Income taxes paid	**(130,836)**	(348,602)
NET CASH FROM OPERATING ACTIVITIES	**1,249,374**	718,197

	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES		
Proceeds on disposal of available for sales investments	–	99,690
Interest received on bank deposits	41,620	46,197
Proceeds on disposal of property, plant and equipment	5,624	6,724
Repayments of long term receivables from local governments in PRC	17,807	13,274
Withdrawal of restricted bank deposits	12,659	2,087
Interest received on held-to-maturity investments	–	2,654
Dividends received from a joint venture	1,925	1,570
Dividends received from an associate	800	–
Purchases of property, plant and equipment	(416,313)	(694,595)
Loans to related companies	(456,935)	(437,000)
Repayment from related companies	437,000	396,718
Advances to local governments	–	(13,000)
Purchases of land use rights	(3,342)	(2,082)
Placement of restricted bank deposits	(1,944)	(17,176)
Purchases of intangible assets	(1,186)	(1,906)
Payment for acquisition of quarries	(8,402)	(477)
Acquisition of investment in a joint venture	–	(41,309)
Acquisition of a subsidiary (NOTE 37(d))	–	(606,834)
NET CASH USED IN INVESTING ACTIVITIES	(370,687)	(1,245,465)
FINANCING ACTIVITIES		
Proceeds from exercise of share options	–	35,348
Repayments of borrowings	(8,311,861)	(3,464,665)
Interest paid	(180,032)	(195,405)
Dividends paid	(235,028)	(233,438)
Dividends paid to non-controlling interests	(9,346)	(9,128)
New borrowings raised	6,638,246	4,733,115
Capital contribution from a non-controlling interest	–	18,504
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(2,098,021)	884,331
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,219,334)	357,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,324,584	1,967,521
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	1,105,250	2,324,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

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

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

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

Application of new and revised IFRSs

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

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

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

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[4]

1 *Effective for annual periods beginning on or after 1 January 2018.*
2 *Effective for first annual IFRS financial statements beginning on or after 1 January 2016.*
3 *Effective for annual periods beginning on or after 1 January 2019.*
4 *Effective for annual periods beginning on or after 1 January 2016.*
5 *Effective for annual periods beginning on or after a date to be determined.*
6 *Effective for annual periods beginning on or after 1 January 2017.*

Other than described below, the directors of the Company (the "Directors") consider the application of the new and revised IFRSs would not have any material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

New and revised IFRSs issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 are described as follows:

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

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

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

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors do not expect the adoption of IFRS 9 will have material impact on the Group's financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2015 and at 31 December 2014.

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

New and revised IFRSs issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

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

The Directors are in the process of assessing the impact of application of IFRS 15 in the future on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

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

New and revised IFRSs issued but not yet effective (continued)

IFRS 16 Leases (continued)

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to IAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Business combinations

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

The subsequent accounting for changes in the fair value of 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 at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Transportation fee income is recognised when the services are provided.

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

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

Property, plant and equipment

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

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

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

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

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. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and buildings

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

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

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 with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination (continued)

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

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

Inventories

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

Foreign currencies

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days for cement customers and 180 to 365 days for concrete customers, or observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

equity instruments

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL represent financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Other than the derivative contracted designated as hedging instrument as mentioned below, financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the "other gains and losses" line item in profit or loss and includes any interest paid on the financial liabilities.

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting

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

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

Cash flow hedges

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

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

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

Derecognition

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

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

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

Provision for environmental restoration

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2015, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amounts of trade and other receivables and long term receivables are RMB2,298,065,000 (2014: RMB2,732,883,000) (net of allowance for doubtful debts of RMB142,008,000 (2014: RMB103,488,000)) and RMB27,953,000 (2014: RMB42,953,000), respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB693,000,000 (2014: RMB693,000,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 21.

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2015 and 2014, the carrying value of property, plant and equipment of the Group is approximately RMB10,879,534,000 and RMB11,364,794,000 respectively.

Fair value of derivative financial instruments

As described in note 28, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 31 December 2014, the fair value of derivative financial liabilities was approximately RMB2,876,000 (2015: Nil).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 31, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,964,980**	5,581,607
Financial liabilities		
Amortised cost	**7,795,308**	9,505,591
Derivative instruments in designated hedge accounting relationship	–	2,876

b. Financial risk management objectives and policies

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group is exposed to the concentration of credit risk in relation to loans to related companies (note 27e) and long term receivables from certain PRC local governments (note 33). The Group will monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover the overdue balances.

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

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks

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

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 33), fixed-rate borrowings (note 31) and restricted bank deposits (note 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 29) and variable-rate borrowings (note 31). The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into a USD interest rate swap contract to partially hedge against its exposures to change in interest rate of a USD denominated bank borrowing, and the contract was matured in October 2015.

The interest rate swap was designated as effective hedging instrument and hedge accounting is used.

The Directors monitor interest rate exposure and will consider hedging further interest rate exposure should the need arise.

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

Sensitivity analysis

The sensitivity analysis for 2015 has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances deposited in reputable banks in PRC. The sensitivity analysis for 2014 has been determined based on the exposure to interest rate for variable rate borrowings and bank balances deposited in reputable banks in PRC after excluding the borrowing which is hedged by the USD interest rate swap. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis-point (2014: 100 basis-point) and a 30 basis-point (2014: 30 basis-point) increase or decrease are used for the analysis of the Group's exposures to the interest rates on its variable-rate borrowings and variable-rate bank balances respectively. These represent management's assessment of the possible change in interest rates.

Borrowings

If interest rates had been 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2015 would decrease/increase by approximately RMB65,415,000 (2014: RMB75,720,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank balances

If interest rates had been 30 basis points (2014: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2015 would increase/decrease by approximately RMB1,567,000 (2014: RMB3,522,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Currency risk

Certain bank deposits (note 29) and bank borrowings (note 31) of the Group are denominated in USD, Hong Kong dollars ("HKD") and Singapore dollars ("SGD"), being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates.

A (negative) positive (2014: positive (negative)) number indicates an (decrease) increase in loss (2014: an increase (decrease) in profit) where RMB strengthens 10% against USD, HKD and SGD. For a 10% weakening of RMB against USD, HKD and SGD, there would be an equal and opposite impact on the loss (2014: profit).

	Impact of USD		Impact of HKD		Impact of SGD	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
(Decrease) increase in loss (2014: increase (decrease) in profit)	**(454,672)**	731,407	**135**	(333)	**104**	(123)

Liquidity risk

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

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

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

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2014 RMB'000
2014							
Trade and other payables	–	880,236	–	–	–	880,236	880,236
Amounts due to a joint venture	–	6,668	–	–	–	6,668	6,668
Variable interest rate borrowings	2.03%	926,092	3,774,793	1,680,038	2,516,556	8,897,479	8,618,687
		1,812,996	3,774,793	1,680,038	2,516,556	9,784,383	9,505,591

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.

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

The Group's financial instruments includes financial assets that measured at fair value at the end of the reporting period and they are grouped into Level 1, Level 2 or Level 3 financial instruments based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2015	31.12.2014		
Interest rate swaps classified as derivative liabilities in the statement of financial position	–	Liabilities (designated for hedging) – RMB2,876,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. There were no transfers between Level 1 and 2 in the year.

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

7. REVENUE

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

	2015 RMB'000	2014 RMB'000
Sales of cement products and related products	**5,880,746**	7,324,517
Sales of concrete	**510,419**	869,199
	6,391,165	8,193,716

8. SEGMENT INFORMATION

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

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

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

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

For the year ended 31 December 2015

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

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2014

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	7,324,517	869,199	8,193,716	–	8,193,716
Inter-segment sales	155,816	4	155,820	(155,820)	–
Total	7,480,333	869,203	8,349,536	(155,820)	8,193,716
Segment result	1,289,704	22,828	1,312,532	–	1,312,532
Unallocated income					27,787
Central administration costs, directors' salaries and other unallocated expense					(65,436)
Share of profits of joint ventures					4,183
Share of profit of an associate					193
Finance costs					(188,151)
Profit before tax					1,091,108

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

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

8. SEGMENT INFORMATION (continued)

Other segment information

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

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2014				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(34,856)	(330)	(11,011)	(46,197)
Government grants	(74,471)	(479)	(1,306)	(76,256)
Depreciation and amortisation	941,114	27,068	9,900	978,082
Loss on disposal/write-off of property, plant and equipment	892	454	–	1,346
Allowance for (reversal of) doubtful debts, net	9,988	22,160	(174)	31,974
Exchange loss, net	11,834	–	(1,393)	10,441
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	681,023	19,101	9,791	709,915

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

Geographical Information

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

Information about major customers

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

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grant income *(note 43)*	**56,273**	76,256
Transportation fee income	**10,321**	9,612
Sales of scrap materials	**4,883**	13,534
Interest income on bank deposits	**41,620**	46,197
Interest income on held-to-maturity investments	**–**	2,654
Rental income, net of outgoings *(note)*	**5,879**	7,440
Others	**9,572**	5,737
	128,548	161,430

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB5,502,000 (2014: RMB5,554,000).

10. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Exchange loss, net	**(368,647)**	(10,441)
Allowance for doubtful debts, net	**(41,877)**	(31,974)
Loss on disposal/write-off of property, plant and equipment	**(3,171)**	(1,346)
Loss from changes in fair value of investment property	**(5,050)**	–
Impairment loss on investment in a joint venture *(note 23)*	**(861)**	–
Loss on disposal of intangible assets	**(4)**	–
	(419,610)	(43,761)

11. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on bank borrowings wholly repayable within five years	**180,032**	195,249
Less: Interests capitalised	**(2,359)**	(7,098)
	177,673	188,151

Borrowing costs capitalised during the year ended 31 December 2015 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.89% (2014: 1.54%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**77,502**	283,278
Withholding tax paid	**14,303**	5,314
Under(over)provision in prior years	**3,004**	(5,337)
Deferred tax *(note 32)*	**(49,434)**	(5,127)
	45,375	278,128

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% (2014: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58, Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. ("Sichuan Yali") were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2014: 15%) in 2015.

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

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

12. INCOME TAX EXPENSE (continued)

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

	2015 RMB'000	2014 RMB'000
(Loss) profit before tax	**(247,335)**	1,091,108
Tax at the PRC EIT rate of 25% (2014: 25%)	**(61,834)**	272,777
Tax effect of expenses not deductible for tax purposes	**49,901**	8,970
Tax effect of different tax rates of subsidiaries	**23,712**	21,214
Tax effect of share of profits of joint ventures	**(380)**	(1,046)
Tax effect of share of profit of associate	**(350)**	(48)
Effect of tax concessions granted to PRC subsidiaries	**17,087**	(33,295)
Under(over)provision in prior years	**3,004**	(5,337)
Tax effect of tax loss not recognised	**5,314**	9,285
Deferred tax on undistributed earnings of PRC subsidiaries	**8,921**	5,608
Income tax expense for the year	**45,375**	278,128

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 32.

13. (LOSS) PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
(Loss) profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**852,881**	934,710
– Prepaid lease payments	**23,579**	19,295
– Quarry	**18,044**	18,622
– Other intangible assets	**5,098**	5,455
	899,602	978,082
Auditors' remuneration	**4,129**	4,845
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**370,855**	362,953
Retirement benefits scheme contributions	**30,954**	25,567
Total staff costs	**401,809**	388,520
Cost of inventories recognised as expenses	**5,434,903**	6,282,321
Rental payments under operating leases	**35,070**	41,283

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the thirteen (2014: eleven) directors were as follows:

Year ended 31 December 2015

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Year ended 31 December 2014

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
A) Non-executive director					
Mr. Hsu, Shu-tong	306	117	–	–	423
B) Executive directors					
Mr. Hsu, Shu-ping	190	–	–	–	190
Mr. Chang, Tsai-hsiung	329	564	–	–	893
Madam Chiang, Shao Ruey-huey	348	48	–	–	396
Mr. Chang, Chen-kuen	311	473	–	–	784
Mr. Lin, Seng-chang	276	535	–	–	811
Mr. Wu, Chung-lih	323	1,366	–	–	1,689
C) Independent Non-executive directors					
Mr. Liu, Zhen-tao	240	–	–	–	240
Mr. Lei, Qian-zhi	180	–	–	–	180
Mr. Tsim, Tak-lung Dominic	240	–	–	–	240
Mr. Wong, Ying-ho Kennedy	240	–	–	–	240
	2,983	3,103	–	–	6,086

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

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

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

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: one) were directors of the Company whose emoluments were included in the disclosures in note (a) above. The emoluments of the remaining two (2014: four) individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	2,518	4,669

Their emoluments were within the following bands:

	2015	2014
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	2	2

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

15. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2014 Final, paid – RMB15 cents (2014: 2013 final dividend RMB15 cents) per share	235,028	233,438

A final dividend for the year ended 31 December 2015 of RMB5 cents per share (2014: RMB15 cents per share) amounting to approximately RMB78,342,550 (2014: RMB235,027,650) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. (LOSS) EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
(Loss) earnings		
(Loss) earnings for the purposes of basic earnings per share ((loss) profit for the year attributable to owners of the Company)	**(299,123)**	790,313
Earnings for the purposes of diluted earnings per share ((loss) profit for the year attributable to owners of the Company)	**(299,123)**	790,313
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,559,648
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	1,816
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,566,851**	1,561,464

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trucks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	3,108,410	9,772,387	335,110	505,224	2,046	995,758	14,718,935
Additions	32,051	97,871	1,894	14,084	–	559,550	705,450
Acquired on acquisition of a subsidiary *(note 37)*	580,968	691,575	2,108	4,431	–	9,094	1,288,176
Disposals/write-off	(2,258)	(2,011)	(2,997)	(32,455)	–	(1,863)	(41,584)
Transfer	395,492	768,590	12,141	12,103	–	(1,188,326)	–
At 31 December 2014	4,114,663	11,328,412	348,256	503,387	2,046	374,213	16,670,977
Additions	10,614	91,058	14,989	12,854	–	272,901	402,416
Disposals/write-off	(1,356)	(7,967)	(3,199)	(37,780)	–	–	(50,302)
Transfer	36,140	236,213	4,609	5,394	–	(282,356)	–
Transfer to investment properties (note)	(26,000)	–	–	–	–	–	(26,000)
Reclassification	21,854	6,370	(793)	(26,828)	(603)	–	–
At 31 December 2015	**4,155,915**	**11,654,086**	**363,862**	**457,027**	**1,443**	**364,758**	**16,997,091**
ACCUMULATED DEPRECIATION							
At 1 January 2014	515,419	3,390,095	239,459	259,346	668	–	4,404,987
Provided for the year	124,834	744,008	24,789	41,071	8	–	934,710
Eliminated on disposals/ write-off	(632)	(1,562)	(2,439)	(28,881)	–	–	(33,514)
At 31 December 2014	639,621	4,132,541	261,809	271,536	676	–	5,306,183
Provided for the year	121,124	677,498	21,370	32,713	176	–	852,881
Eliminated on disposals/ write-off	(385)	(4,769)	(2,759)	(33,594)	–	–	(41,507)
Reclassification	4,361	2,461	(1,362)	(5,460)	–	–	–
At 31 December 2015	**764,721**	**4,807,731**	**279,058**	**265,195**	**852**	**–**	**6,117,557**
CARRYING VALUES							
At 31 December 2015	**3,391,194**	**6,846,355**	**84,804**	**191,832**	**591**	**364,758**	**10,879,534**
At 31 December 2014	3,475,042	7,195,871	86,447	231,851	1,370	374,213	11,364,794

Note: *During the year ended 31 December 2015, the Company transferred properties with book value of RMB 26,000,000 to investment properties. As at the date of transfer, the fair value of the properties was RMB 22,400,000 and loss from changes in fair value of RMB 3,600,000 was recognised in the profit or loss.*

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

18. QUARRY

	RMB'000
COST	
At 1 January 2014	280,427
Additions	477
Acquired on acquisition of a subsidiary *(note 37)*	81,908
At 31 December 2014	362,812
Additions	8,402
At 31 December 2015	**371,214**
AMORTISATION	
At 1 January 2014	78,072
Provided for the year	18,622
At 31 December 2014	96,694
Provided for the year	18,044
At 31 December 2015	**114,738**
CARRYING VALUES	
At 31 December 2015	**256,476**
At 31 December 2014	266,118

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

19. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Non-current assets	640,879	663,148
Current assets	20,150	18,118
	661,029	681,266

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 2015, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB175,546,000 (2014: approximately RMB188,765,000). The Group is currently in the process of obtaining these land use right certificates.

20. INVESTMENT PROPERTIES

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

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 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Real Estate Appraiser Office ("DTZ"), an independent qualified professional valuer not connected with the Group. DTZ is a member of the Taiwan Institute of Surveyors.

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

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

20. INVESTMENT PROPERTIES (continued)

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

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

21. GOODWILL

	2015 RMB'000	2014 RMB'000
Balance at beginning of year	**693,000**	138,759
Additional amounts recognised from business combinations occurring during this year *(note 37)*	**–**	554,241
Balance at end of year	**693,000**	693,000

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

	2015 RMB'000	2014 RMB'000
Wuhan Yaxin Cement Co., Ltd. (Wuhan Yaxin)	**138,759**	138,759
Sichuan Lanfeng Cement Co., Ltd. (Sichuan Lanfeng)	**554,241**	554,241
	693,000	693,000

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

21. GOODWILL (continued)

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

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

The calculation of the recoverable amount of Wuhan Yaxin uses cash flow projections based on financial budgets approved by management covering a 5 year period (2014: 5-year period) and discount rate of 10.81% per annum as at 31 December 2015 (2014: 10.46%). Cash flows beyond the 5-year ended (2014: 5-year period) are extrapolated using a steady 2.6% (2014: 3.3%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

The calculation of the recoverable amount of Sichuan Lanfeng uses cash flow projections based on financial budgets approved by management covering a 5 year period (2014: 5-year period) and discount rate of 10.79% per annum as at 31 December 2015 (2014: 10.78%). Cash flows beyond the 5-year period (2014: 5-year period) are extrapolated using a steady 1.7% (2014: 2.8%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

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

22. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2014	779	18,310	9,781	28,870
Additions	–	–	1,906	1,906
Acquired on acquisition of a subsidiary *(note 37)*	–	1,469	908	2,377
At 31 December 2014 and 1 January 2015	779	19,779	12,595	33,153
Additions	–	–	1,186	1,186
Disposal	–	–	(35)	(35)
At 31 December 2015	**779**	**19,779**	**13,746**	**34,304**
ACCUMULATED AMORTISATION				
At 1 January 2014	779	12,817	5,548	19,144
Provided for the year	–	3,858	1,597	5,455
At 31 December 2014 and 1 January 2015	779	16,675	7,145	24,599
Provided for the year	–	2,125	2,973	5,098
Disposal	–	–	(31)	(31)
At 31 December 2015	**779**	**18,800**	**10,087**	**29,666**
CARRYING VALUES				
At 31 December 2015	**–**	**979**	**3,659**	**4,638**
At 31 December 2014	–	3,104	5,450	8,554

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

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

23. INTEREST IN JOINT VENTURES

	2015 RMB'000	2014 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	**16,147**	16,554
Impairment loss on interest in a joint venture *(note 10)*	**(861)**	–
	74,345	75,613

At 31 December 2015 and 2014, the Group had interests in the following unlisted joint ventures:

Name of joint venture	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2015	Proportion of ownership interest held by the Group 2014	Proportion of voting rights held by the Group 2015	Proportion of voting rights held by the Group 2014	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 the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

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

Wuhan Asia

	2015 RMB'000	2014 RMB'000
Current assets	**35,194**	38,482
Non-current assets	**64,421**	69,892
Current liabilities	**(17,338)**	(28,941)
Non-current liabilities	**(10,000)**	(10,000)

23. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	**12,323**	12,437
Current financial liabilities (excluding trade and other payables and provisions)	**(6,620)**	(16,970)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(10,000)**	(10,000)
Revenue	**82,465**	104,023
Profit and total comprehensive income for the year	**6,695**	9,191
Dividends received from the joint venture during the year	**1,925**	1,570
The above profit for the year include the following: Depreciation and amortisation	**5,505**	5,176
Interest income	**99**	155
Interest expense	**1,335**	1,779
Income tax expense	**2,461**	3,211

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

	2015 RMB'000	2014 RMB'000
Net assets of the joint venture	**72,277**	69,433
Proportion of the Group's ownership interest in Wuhan Asia	**50%**	50%
Carrying amount of the Group's interest in Wuhan Asia	**36,139**	34,717

23. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan

	2015 RMB'000	2014 RMB'000
Current assets	**16,648**	3,670
Non-current assets	**43,320**	25,493
Current liabilities	**(43,788)**	(8,410)

The above amounts of assets and liabilities include the following:

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	**3,957**	78
Current financial liabilities (excluding trade and other payables and provisions)	**(37,997)**	–
Revenue	**1,913**	–
Loss and total comprehensive expense for the year	**(4,573)**	(1,033)
Dividends received from the joint venture during the year	**–**	–
The above loss for the year include the following: Depreciation and amortisation	**2,704**	–
Interest income	**–**	–
Interest expense	**241**	–
Income tax expense	**(317)**	–

23. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan (continued)

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

	2015 RMB'000	2014 RMB'000
Net assets of the joint venture	**16,180**	20,753
Proportion of the Group's ownership interest in Hubei Xinlongyuan	**40%**	40%
Goodwill *(note)*	**32,595**	32,595
Impairment loss	**(861)**	–
	38,206	40,896

Note: On 4 September 2014, the Group entered into an agreement to acquire 40% equity interest of Hubei Xinlongyuan Mining Company Limited at a consideration of RMB40,037,701. The acquisition was completed in September 2014.

24. INTEREST IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Cost of unlisted investment in an associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**5,711**	5,113
	17,711	17,113

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

Name of associate	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2015	2014	2015	2014	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of concrete

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

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

24. INTEREST IN AN ASSOCIATE (continued)

Hubei Zhongjian

	2015 RMB'000	2014 RMB'000
Current assets	**71,346**	53,824
Non-current assets	**3,296**	5,779
Current liabilities	**(30,365)**	(16,821)
Revenue	**67,770**	69,297
Profit and total comprehensive income for the year	**3,494**	483
Dividends received from associate during the year	**800**	–

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

	2015 RMB'000	2014 RMB'000
Net assets of the associate	**44,277**	42,782
Proportion of the Group's ownership interest in Hubei Zhongjian	**40%**	40%
Carrying amount of the Group's interest in Hubei Zhongjian	**17,711**	17,113

25. INVENTORIES

	2015 RMB'000	2014 RMB'000
Spare parts and ancillary materials	**350,869**	378,618
Raw materials	**207,560**	385,348
Work in progress	**99,798**	123,388
Finished goods	**82,554**	78,981
	740,781	966,335

26. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**1,328,696**	1,502,968
Less: allowance for doubtful debts	**(139,676)**	(101,156)
	1,189,020	1,401,812
Bills receivable	**1,058,108**	1,284,071
	2,247,128	2,685,883
Other receivables	**53,269**	49,332
Less: allowance for doubtful debts	**(2,332)**	(2,332)
	50,937	47,000
	2,298,065	2,732,883
Advances to suppliers	**152,484**	176,156
Deposits	**15,584**	12,389
Prepayments	**2,012**	12,313
Value-added tax recoverable	**42,068**	106,101
	2,510,213	3,039,842

The Group has a policy of allowing a credit period of 30 to 90 days for cement customers and 180 to 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.

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

	Cements		Concrete		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
0–90 days	**387,970**	520,293	**98,071**	228,882	**486,041**	749,175
91–180 days	**159,863**	167,207	**75,249**	182,215	**235,112**	349,422
181–365 days	**51,287**	59,273	**168,915**	196,944	**220,202**	256,217
Over 365 days	**140,012**	9,397	**107,653**	37,601	**247,665**	46,998
	739,132	756,170	**449,888**	645,642	**1,189,020**	1,401,812

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

	Cements		Concrete		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
0–90 days	**704,668**	917,048	**16,567**	13,579	**721,235**	930,627
91–180 days	**331,443**	349,294	**4,530**	3,200	**335,973**	352,494
181–365 days	**900**	950	**–**	–	**900**	950
	1,037,011	1,267,292	**21,097**	16,779	**1,058,108**	1,284,071

26. TRADE AND OTHER RECEIVABLES (continued)

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Approximately 74% (2014: 93%) of the trade receivables as at 31 December 2015 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality by reference to their past repayment records.

Included in the Group's trade receivables balances are debtors with the aggregate carrying amount of approximately RMB201,158,000 (2014: approximately RMB76,138,000) and RMB107,653,000 (2014: RMB37,601,000) for cement and concrete segment respectively, which have been past due as at year end for which the Group has not provided for impairment loss. The Group holds collateral over part of these receivables. No allowance has been provided for these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

An allowance has been made for estimated irrecoverable amounts arising from the sale of goods which has been determined by reference to past default experience and objective evidence of impairment such as an analysis of the particular customers and their financial conditions and the ages of the trade receivables.

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

	Cements		Concrete		Total	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
91–180 days	**9,859**	7,468	**–**	–	**9,859**	7,468
181–365 days	**51,287**	59,273	**–**	–	**51,287**	59,273
Over 365 days	**140,012**	9,397	**107,653**	37,601	**247,665**	46,998
Total	**201,158**	76,138	**107,653**	37,601	**308,811**	113,739

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

	Other receivables		Trade receivables	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Balance at beginning of year	**2,332**	2,332	**101,156**	69,182
Additions	**–**	–	**45,766**	41,268
Reversal	**–**	–	**(3,889)**	–
Written off	**–**	–	**(3,357)**	(9,294)
	2,332	2,332	**139,676**	101,156

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

(a) Amount due from an associate

	2015 RMB'000	2014 RMB'000
Hubei Zhongjian (trade related)	7,247	–

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

(b) Amount due from a joint venture

	2015 RMB'000	2014 RMB'000
Hubei Xinlongyuan		
– trade related (note 1)	11,058	–
– non-trade related (note 2)	25,000	–
	36,058	–

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

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

(c) Amounts due to a joint venture

	2015 RMB'000	2014 RMB'000
Wuhan Asia (trade related)	18,160	6,668

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

(d) Amount due to the ultimate holding company

	2015 RMB'000	2014 RMB'000
Asia Cement Corporation (trade related)	828	–

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

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

(e) Loan to related companies

	2015 RMB'000	2014 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	**414,727**	396,633
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	**42,208**	40,367
	456,935	437,000

Pursuant to the loan agreements, the Company agreed to make available an aggregate principal sum of US$68,000,000 (the "Loans") to FENC, of which US$63,867,000 (equivalent to RMB391,421,000) have been drawn down by FENC as at 31 December 2013. FENC is a wholly-owned subsidiary of Far Eastern New Century Corporation ("FENCC") and is principally engaged in the business of investment. The Company is related to FENC as FENCC holds 28.79% equity interest in Asia Cement Corporation. According to the terms of the loan agreements, (i) the Loans principal amount shall be repaid in full on or before 16 June 2014 (the "Repayment Date"); or (ii) FENC may repay the Loans at a time later than the Repayment Date, subject to the consent from the Company; or (iii) FENC may repay the Loans or any part of the Loans at any time before the Repayment Date. The interest rate is subject to be agreed between the Company and FENC. On 4 June 2014, FENC repaid the Loans. On 15 May 2014, the Company and FENC entered two new agreements and agreed to make available principal sums of US$30,000,000 and US$38,000,000 (the "Loans 1") to FENC, of which US$63,867,000 (equivalent to RMB396,633,000) have been drawn down by FENC as at 31 December 2014. According to the terms of the loan agreements, (i) the Loans 1 principal amount of US$30,000,000 and US$38,000,000 shall be repaid in full on or before 4 June 2015 and 2 June 2015 (the "Repayment Dates 1"), respectively; or (ii) FENC may repay the Loans 1 or any part of the Loans 1 at any time before the Repayment Dates 1. The interest rate is subject to be agreed between the Company and FENC. On 3 June 2015, FENC repaid the Loans 1. On 27 May 2015, the Company and FENC entered new agreement and agreed to make available principal sums of US$38,000,000 (the "Loans 3") to FENC, of which US$34,200,000 million (equivalent to RMB222,081,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreements, (i) the Loans 3 principal amount of US$38,000,000 shall be repaid in full on or before 26 May 2016 (the "Repayment Dates 3"; or (ii) FENC may repay the Loans 3 or any part of the Loans 3 at any time before the Repayment Dates 3. The interest rate is subject to be agreed between the Company and FENC. On 4 February 2016, FENC repaid US$31,127,104 (equivalent to RMB205,000,000) of loans 3. On 1 June 2015, the Company and FENC entered new agreement and agreed to make available principal sums of US$30,000,000 (the "Loans 4") to FENC, of which US$29,667,000 million (equivalent to RMB192,646,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreement, (i) the Loans 4 principal amount of US$30,000,000 shall be repaid in full on or before 31 May 2016 (the "Repayment Dates 4"); or (ii) FENC may repay the Loans 4 or any part of the Loans 4 at any time before the Repayment Dates 4. The interest rate is subject to be agreed between the Company and FENC. On 25 December 2015, the Company agreed to make available an aggregate principal sum of RMB205,000,000 (the "Loan 6") to FENC, of which the whole balance have been drawn down by FENC on 1 February 2016. According to the terms of the loan agreement, (i) the Loans 6 principal amount of RMB205,000,000 shall be repaid in full on or before 1 July 2017 (the "Repayment Dates 6"; or (ii) FENC may repay the Loans 6 or any part of the Loans 6 at any time before the Repayment Dates 6. The interest rate is subject to be agreed between the Company and FENC.

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

(e) Loan to related companies (continued)

Pursuant to a loan agreement, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 2") to Yuan Ding, of which US$6,500,000 (equivalent to RMB40,367,000) have been drawn down by Yuan Ding as at 31 December 2014. Yuan Ding is a wholly-owned subsidiary of FENC. According to the terms of the loan agreement, (i) the Loan 2 principal amount of US$6,500,000 shall be repaid in full on or before 4 November 2015 (the "Repayment Date 2"); or (ii) Yuan Ding may repay the Loan 2 at a time later than the Repayment Date 2, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 2 or any part of the Loan at any time before the Repayment Date 2. The interest rate is subject to be agreed between the Company and Yuan Ding. On 5 November 2015, Yuan Ding repaid the Loans 2. On 2 November 2015, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 5") to Yuan Ding, of which US$6,500,000 (equivalent to RMB42,208,000) have been drawn down by Yuan Ding as at 31 December 2015. According to the terms of the loan agreement, (i) the Loan 5 principal amount of US$6,500,000 shall be repaid in full on or before 1 November 2016 (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 at any time before the Repayment Date 5. The interest rate is subject to be agreed between the Company and Yuan Ding.

28. DERIVATIVE LIABILITIES

	2015 Liabilities RMB'000	2014 Liabilities RMB'000
Derivative under hedge accounting		
USD interest rate swap		
– current	–	2,876

USD interest rate swap

The Group had an outstanding USD interest rate swap contract designated as a highly effective hedging instrument in order to partially hedge the Group's cash flow interest rate exposure on a USD denominated floating rate bank borrowing (note 31).

The terms of the USD interest rate swap contract have been negotiated to match the terms of the USD denominated floating rate bank borrowing.

Major terms of the USD interest rate swap as at 31 December 2014 are as follows:

Notional amount	Maturity	Swap
2014		
US$35,000,000	20.10.2015	From LIBOR to 1.75% per annum

The fair value of the USD interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The USD interest rate swap was designated and effective as cash flow hedge.

During the year ended 31 December 2015, a fair value gain of RMB2,876,000 (2014: RMB3,424,000) has been recognised in other comprehensive income and accumulated in equity. It had been released to profit or loss at various dates during the life of the swap when the hedged interest expense was recognised in profit or loss.

29. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 1.35% (2014: 0.01% to 3.82%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB483,635,000 (2014: RMB1,339,512,000) and approximately RMB654,587,000 (2014: RMB1,028,634,000), respectively.

Under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which are restricted for withdrawal, as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2015, RMB29,106,000 (2014: RMB25,840,000) in its own bank account has been restricted for this purpose. No further notice for additional deposit was received from the relevant PRC authority during the year. These restricted bank deposits will be released after the Group has completed the restoration work up to the standard accepted by the Ministry of Land and Resources of the People's Republic of China. The Directors expect the restoration work to be carried out and completed after the expiry of the respective mining rights, ranging from years from 2016 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

As at 31 December 2015, the remaining deposits in its own bank account amounting to RMB4,366,000 (2014: RMB18,347,000) 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:

	2015 RMB'000	2014 RMB'000
Denominated in USD	**58,671**	1,369,621
Denominated in HKD	**1,350**	23,625
Denominated in SGD	**1,265**	511

30. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**529,543**	525,649
Accruals	**90,929**	85,970
Advances from customers	**99,646**	98,206
Staff wages and welfare payable	**58,898**	69,420
Value added tax payable	**14,626**	25,379
Construction cost payable	**46,634**	62,890
Other tax payable	**25,514**	111,908
Due to original holders of Sichuan Lanfeng	**17,692**	46,301
Consideration payable for acquisition of a subsidiary *(note 37)*	**90,690**	90,690
Other payables	**67,791**	85,286
	1,041,963	1,201,699

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

	2015 RMB'000	2014 RMB'000
0–90 days	**449,018**	455,247
91–180 days	**47,006**	35,124
181–365 days	**10,295**	27,713
Over 365 days	**23,224**	7,565
	529,543	525,649

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.

31. BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings – unsecured	**6,945,072**	8,618,687

Note:

In September 2011, the Company issued fixed rate unsecured notes in an aggregate principal amount of RMB586,000,000. The unsecured notes bore fixed interest at 2.95% per annum and fully repaid in September 2014. The fixed rate notes were listed on the Stock Exchange.

31. BORROWINGS (continued)

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

	2015 RMB'000	2014 RMB'000
Denominated in USD	**4,611,244**	7,743,184

The carrying amounts of borrowings are repayable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**3,379,212**	4,804,222
Within a period of more than one year but not exceeding two years	**1,161,184**	1,447,782
Within a period of more than two year but not exceeding five years	**2,404,676**	2,366,683
	6,945,072	8,618,687
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(3,379,212)**	(4,804,222)
Amounts due for settlement after 12 months	**3,565,860**	3,814,465

The borrowings carrying fixed and variable interest rates with reference to the Benchmark Rate for RMB borrowings, or the LIBOR for foreign currency borrowings are as follows:

	2015		2014	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	**–**	**N/A**	–	N/A
Variable-rate borrowings	**6,945,072**	**90% to 100% of Benchmark Rate or LIBOR plus margin of 0.6% to 2.6%**	8,618,687	90% to 100% of Benchmark Rate or LIBOR plus margin of 0.5% to 3.5%
	6,945,072		8,618,687	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 1.13% to 6.00% (2014: 0.79% to 6.00%) per annum. Interest is repriced quarterly.

32. DEFERRED TAX

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

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	(10,942)	(3,011)	17,518	3,293	(7,280)	8,745	8,323
Acquired on acquisition of a subsidiary *(note 37)*	(11,523)	–	–	–	–	–	(11,523)
Withholding tax paid	–	–	–	–	5,314	–	5,314
Credit (charge) to profit or loss	2,786	220	882	1,395	(5,608)	138	(187)
At 31 December 2014	(19,679)	(2,791)	18,400	4,688	(7,574)	8,883	1,927
Withholding tax paid	–	–	–	–	14,303	–	14,303
Credit (charge) to profit or loss	1,343	222	8,003	34,240	(8,921)	244	35,131
At 31 December 2015	**(18,336)**	**(2,569)**	**26,403**	**38,928**	**(2,192)**	**9,127**	**51,361**

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

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**72,531**	29,766
Deferred tax liabilities	**(21,170)**	(27,839)
	51,361	1,927

32. DEFERRED TAX (continued)

At 31 December 2015, the Group has unused tax losses of approximately RMB242,001,000 (2014: RMB83,786,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB155,712,000 (2014: RMB18,753,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB86,289,000 (2014: RMB65,010,000) due to the unpredictability of future profit stream. As at 31 December 2015, the tax losses of RMB3,194,000, RMB5,710,000, RMB22,101,000 and RMB48,512,000 and RMB162,484,000 will expire in 2016, 2017, 2018, 2019 and 2020, respectively.

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 2015, deferred tax liability has been provided in respect of RMB48,408,000 (2014: RMB171,182,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associate and joint venture in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2015, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, joint ventures and associate in respect of which deferred tax liability has not been provided for were approximately RMB4,335,077,000 (2014: RMB4,234,920,000), RMB25,885,000 (2014: RMB23,040,000) and RMB12,998,000 (2014: RMB11,504,000), respectively.

33. LONG TERM RECEIVABLES

	2015 RMB'000	2014 RMB'000
Receivables from		
武漢市新洲區人民政府 (the "Wuhan City Government") (note a)	**10,380**	12,380
彭州市人民政府 (the "Pengzhou City Government") *(note b)*	**17,573**	30,573
	27,953	42,953
Less: Amounts due within one year	**(27,953)**	(20,573)
Amounts due after one year	**–**	22,380

Notes:

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

During the current year, no amount was settled (2014: RMB2 million). As at 31 December 2015, the outstanding balance is RMB2 million (2014: RMB2 million).

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

During the current year, RMB2 million was received in cash (2014: RMB2 million). As at 31 December 2015, the outstanding balance is approximately RMB4.4 million (2014: RMB6.4 million).

Upon completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the advances to the Wuhan City Government, which cannot be recovered by Hubei Yadong in accordance with the expected time as per above. As at 31 December 2015, the indemnity in respect of the above advances undertaken by Asia Cement is approximately RMB1.5 million (2014: RMB3.5 million).

33. LONG TERM RECEIVABLES (continued)

Notes: (continued)

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

During the current year, no amount (2014: RMB2 million) was received in cash. As at 31 December 2015, the outstanding balance is RMB4 million (2014: RMB4 million).

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

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

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

During the current year, RMB13 million (2014: RMB4 million) was received in cash and no amount (2014: RMB11 million) was received through offsetting a payable to Pengzhou City Government regarding the removing and re-location of long-distance conveyor construction. As at 31 December 2015, the outstanding balance is RMB17 million (2014: RMB30 million).

(ii) *In March 2004, Oriental Industrial Holdings Pte., Ltd. ("Oriental"), a subsidiary of the Company and the Pengzhou City Government entered into an agreement, in which Oriental agreed to advance funds to the Pengzhou City Government for construction of certain electricity supply facilities in Sichuan. The advance was eventually made by Sichuan Yadong, a subsidiary of Oriental. Pursuant to the 2012 Contractual Payment Plan, the remaining will be repaid before 30 April 2014.*

During the current year, no amount (2014: RMB0.67 million) was received in cash. As at 31 December 2015, the outstanding balance is approximately RMB0.57 million (2014: RMB0.57 million).

34. LONG TERM PREPAID RENTAL

	2015 RMB'000	2014 RMB'000
Prepaid rental to		
Yangzhou No. 2 Power Plant Company Limited (the " Yangzhou No. 2 Power Plant") *(note a)*	**6,156**	9,164
Taizhou Yongan Port Co., Ltd. *(note b)*	**28,000**	30,000
	34,156	39,164
Less: Amounts due within one year (included in trade and other receivables)	**(5,099)**	(7,300)
Amounts due after one year	**29,057**	31,864

Notes:

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

During the current year, RMB3.0 million (2014: RMB2.6 million) has been utilised through offsetting the rental expenses and the outstanding prepaid balance as at 31 December 2015 is RMB6.2 million (2014: RMB9.2 million).

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

As at 31 December 2015, the outstanding prepaid balance is RMB28 million (2014: RMB30 million).

35. PROVISION FOR ENVIRONMENTAL RESTORATION

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

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

36. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2014	1,556,250,000	155,625	139,549
Exercise of share option under the Pre-IPO Share Option Scheme *(note 40)*	10,601,000	1,060	841
At 31 December 2014, 1 January 2015 and 31 December 2015	**1,566,851,000**	**156,685**	**140,390**

37. ACQUISITION OF A SUBSIDIARY

On 16 April 2014, the Group entered into an agreement to acquire 100% equity interest of Sichuan Lanfeng Cement Co., Ltd. at a consideration of RMB$968,148,000. The acquisition was completed in July 2014.

a. Subsidiary acquired

	Principal activity	Proportion of voting equity interests Acquired (%)	Consideration Transferred RMB'000
Sichuan Lanfeng Cement Co., Ltd.	Manufacture of cement	100%	968,148

37. ACQUISITION OF A SUBSIDIARY (continued)

b. Assets acquired and liabilities assumed at the date of acquisition

	RMB'000
Current assets	
Cash and cash equivalents	270,624
Trade and other receivables	164,435
Inventories	89,393
Non-current assets	
Plant and equipment	1,288,176
Other intangible assets	2,377
Prepaid lease payment	96,300
Quarry	81,908
Current liabilities	
Trade and other payables	(1,164,889)
Borrowings – due within one year	(203,790)
Tax payables	(9,104)
Non-current liabilities	
Borrowings – due after one year	(190,000)
Deferred tax liabilities	(11,523)
	413,907

c. Goodwill arising on acquisition

	RMB'000
Consideration transferred	968,148
Less: Fair value of identifiable net assets acquired	(413,907)
Goodwill arising on acquisition	554,241

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Sichuan Lanfeng. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Net cash outflow on acquisition of subsidiaries

	2014 RMB'000
Consideration transferred	968,148
Less: Cash and cash equivalent balances acquired	(270,624)
	697,524
Less: Unpaid consideration *(note 30)*	(90,690)
Consideration paid in cash	606,834

37. ACQUISITION OF A SUBSIDIARY (continued)

e. Impact of acquisitions on the results of the Group

Included in the profit for the year for the year ended 31 December 2014 was RMB87 million attributable to the additional business generated by Sichuan Lanfeng. Revenue for the year ended 31 December 2014 included RMB543 million in respect of Sichuan Lanfeng.

Had these business combinations been completed on 1 January 2014, the Group's revenue from continuing operations would have been RMB8,458 million, and the profit from continuing operations would have been RMB820 million for the year ended 31 December 2014. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Sichuan Lanfeng been acquired at the beginning of the current reporting period, the management have:

1) calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

2) calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

38. OPERATING LEASES

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**29,971**	35,983
Contingent rents paid/payable under operating leases during the year *(note)*	**3,099**	5,300
	33,070	41,283

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

38. OPERATING LEASES (continued)

The Group as lessee (continued)

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:

	2015 RMB'000	2014 RMB'000
Within one year	**24,955**	39,014
In the second to fifth years inclusive	**79,644**	82,429
After five years	**592,308**	696,827
	696,907	818,270

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

The Group as lessor

Rental income earned was RMB5,879,000 and RMB7,440,000 for the years ended 31 December 2015 and 2014, 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. Certain of the properties held have committed tenants for the next year.

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

	2015 RMB'000	2014 RMB'000
Within one year	**6,946**	4,391
In the second to fifth year inclusive	**4,633**	8,163
	11,579	12,554

39. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**78,759**	182,658
Land use rights	**12,827**	70,259
Mining rights	**1,108**	–
Capital expenditure in respect of establishment of a joint venture *(note)*	**500,000**	500,000
	592,694	752,917

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%.

40. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

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

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,549,000). For the years ended 31 December 2015 and 2014, no options have been granted under Pre-IPO Share Option Scheme.

10,601,000 shares of option were exercised and 977,000 shares of option were expired during the year ended 31 December 2014. At 31 December 2015 and 2014, no option remained outstanding.

40. SHARE BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme

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

As at 31 December 2015 and 2014, no options have been granted under the Share Option Scheme.

41. RETIREMENT BENEFITS SCHEME

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

The total expense charged to profit or loss of approximately RMB30,954,000 (2014: approximately RMB25,567,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2015, contributions of RMB1,057,000 (2014: RMB972,000) as at 31 December 2015 have not been paid over to the schemes.

42. RELATED PARTY TRANSACTIONS

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

	2015 RMB'000	2014 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**82,934**	101,047
Associate:		
Hubei Zhongjian		
– Sales of goods	**9,304**	11,110
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	**56,072**	–

42. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**5,844**	6,086
Share-based payments	**–**	–
Retirement benefits scheme contributions	**–**	–
	5,844	6,086

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

43. GOVERNMENT GRANT INCOME

	2015 RMB'000	2014 RMB'000
Incentive subsidies *(note a)*	**14,842**	39,157
Value-added tax refund *(note b)*	**36,117**	34,040
Others *(note c)*	**5,314**	3,059
	56,273	76,256

Notes:

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

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

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

44. 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 2015	2014	Proportion of voting power held by the company 2015	2014	Principal activities
*Perfect Industrial Holdings Pte., Ltd.	British Virgin Islands	Ordinary	US$9,287,201	100%	100%	100%	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$764,262,651	99.99%	99.99%	100%	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	99.99%	99.99%	100%	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$356,104,433	94.99%	94.99%	92%	91%	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
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd.[1]	PRC	Ordinary	RMB21,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$130,407,000	99.99%	99.99%	100%	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	94.99%	94.99%	100%	100%	Manufacture and sale of concrete

44. 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 2015	2014	Proportion of voting power held by the company 2015	2014	Principal activities
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	**72.49%**	72.49%	**75%**	78%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.[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

44. 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 2015	2014	Proportion of voting power held by the company 2015	2014	Principal activities
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3] *(note 44c)*	PRC	Ordinary	RMB90,000,000	89.99%	89.99%	83%	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co.,Ltd.[2]	PRC	Ordinary	USD16,000,000	99.99%	99.99%	100%	100%	Sale and storage of cement product
四川蘭豐水泥有限公司 Sichuan Lanfeng Cement Co., Ltd.[2]	PRC	Ordinary	RMB600,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川蘭豐建材有限公司 Sichuan Lanfeng Construction Material Co., Ltd[2]	PRC	Ordinary	RMB20,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

1 *These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.*
2 *These companies were established in the PRC in the form of wholly foreign-owned enterprise.*
3 *This company was established in the PRC in the form of foreign-invested enterprise.*

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

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

44. 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		Proportion of voting right		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
						RMB'000	RMB'000	**RMB'000**	RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	**5.01%**	5.01%	**8%**	9%	**2,761**	15,852	**195,452**	199,162
Individually immaterial subsidiaries with non-controlling interests						**3,652**	6,815	**76,132**	75,355
						6,413	22,667	**271,584**	274,517

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.

	2015 RMB'000	2014 RMB'000
Current assets	**1,414,041**	1,959,381
Non-current assets	**4,063,920**	4,323,619
Current liabilities	**(1,553,084)**	(2,128,101)
Non-current liabilities	**(15,839)**	(171,665)
Equity attributable to owners of the Company	**3,713,195**	3,784,072
Non-controlling interests	**195,843**	199,162
Revenue	**2,562,078**	3,037,764
Expenses	**(2,506,972)**	(2,721,363)
Profit for the year	**55,106**	316,401
Profit attributable to owners of the Company	**52,345**	300,549
Profit attributable to the non-controlling interests	**2,761**	15,852
Dividends paid to non-controlling interests	**6,478**	6,264
Net cash inflow from operating activities	**633,317**	411,186
Net cash inflow (outflow) from investing activities	**326,481**	(993,521)
Net cash (outflow) inflow from financing activities	**(986,196)**	23,777
Net cash outflow	**(26,397)**	(558,558)

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, long-term receivables of RMB11,000,000 due from Pengzhou City Government were offsetting through a removing and re-location of long-distance conveyor construction payable by Sichuan Yadong (note 33b (i)).

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

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

	2015 RMB'000	2014 RMB'000
Unlisted investments in subsidiaries	**7,731,182**	7,608,232
Amounts due from subsidiaries	**1,928,261**	2,935,089
Bank balances	**52,773**	877,734
Other receivables	**357**	2,093
Total assets	**9,712,573**	11,423,148
Borrowings	**4,878,180**	6,303,898
Derivative liabilities	**–**	2,876
Other payables	**11,318**	14,019
Total liabilities	**4,889,498**	6,320,793
Net assets	**4,823,075**	5,102,355
Share capital *(note 36)*	**140,390**	140,390
Reserves *(note)*	**4,682,685**	4,961,965
Total equity	**4,823,075**	5,102,355

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

Note:

Reserves

	Share premium RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Investment revaluation reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At January 1, 2014	3,376,570	2,073,316	22,639	(6,300)	379	(327,366)	5,139,238
Profit for the year	–	–	–	–	–	18,613	18,613
Other comprehensive income for the year	–	–	–	3,424	(379)	–	3,045
Total comprehensive income for the year	–	–	–	3,424	(379)	18,613	21,658
Issue of ordinary shares under Pre-IPO share option scheme	55,236	–	(20,729)	–	–	–	34,507
Expiration of options under Pre-IPO share option scheme	–	–	(1,910)	–	–	1,910	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(233,438)	(233,438)
At 31 December 2014	3,431,806	2,073,316	–	(2,876)	–	(540,281)	4,961,965
Loss for the year	–	–	–	–	–	(47,128)	(47,128)
Other comprehensive income for the year	–	–	–	2,876	–	–	2,876
Total comprehensive income for the year	–	–	–	2,876	–	(47,128)	(44,252)
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(235,028)	(235,028)
At 31 December 2015	**3,431,806**	**2,073,316**	**–**	**–**	**–**	**(822,437)**	**4,682,685**

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	8,206,833	6,684,149	7,330,818	8,193,716	**6,391,165**
Profit before tax	1,742,141	508,927	1,109,024	1,091,108	**(247,335)**
Income tax expense	(352,746)	(102,321)	(262,720)	(278,128)	**(45,375)**
Profit (loss) for the year	1,389,395	406,606	846,304	812,980	**(292,710)**
Attributable to:					
Owners of the Company	1,340,836	395,123	823,010	790,313	**(299,123)**
Non-controlling interests	48,559	11,483	23,294	22,667	**6,413**
	1,389,395	406,606	846,304	812,980	**(292,710)**

ASSETS AND LIABILITIES

	At 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Total assets	16,122,366	15,648,964	17,361,715	20,022,989	**17,627,180**
Total liabilities	7,398,733	6,765,284	7,883,892	9,917,855	**8,056,254**
	8,723,633	8,883,680	9,477,823	10,105,134	**9,570,926**
Equity attributable to:					
Owners of the Company	8,473,035	8,601,209	9,235,349	9,830,617	**9,299,342**
Non-controlling interests	250,598	282,471	242,474	274,517	**271,584**
	8,723,633	8,883,680	9,477,823	10,105,134	**9,570,926**