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 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. HO Siu Pik

AUTHORIZED REPRESENTATIVES

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

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF INDEPENDENCE COMMITTEE

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

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STOCK CODE

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COMPANY WEBSITE

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Financial Highlights

	Notes	2017 RMB'000	2016 RMB'000
Revenue		**7,815,527**	6,338,152
Gross profit		**1,910,344**	1,250,152
Profit for the year		**636,203**	150,958
Profit attributable to owners of the Company		**602,377**	133,562
Gross profit margin		**24%**	20%
Earning per share			
— Basic		**RMB0.384**	RMB0.085
— Diluted		**RMB0.384**	RMB0.085
Total assets		**16,409,987**	15,902,155
Net assets		**10,210,384**	9,635,148
Liquidity and Gearing			
Current ratio	*1*	**1.24**	1.32
Quick ratio	*2*	**1.07**	1.06
Gearing ratio	*3*	**0.38**	0.39

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,

In 2017, China went through an economic upturn. The annual economic growth rate of 6.9% marked a rebound on growth rate after a 7-year consecutive decline, indicating that the overall economic situation was better than expected. As the Chinese economy continued to undergo structural adjustment, the driver of economic growth had switched to domestic demand and consumption, while investment growth rate had gradually slowed down. The annual growth rate of fixed asset investment slipped to 7%; on the other hand, infrastructure investment, supported by the government, was able to maintain a relatively high growth rate of 19%, and the real estate market remained stable under a new round of regulatory policies. With China's economy moves towards the goal of "maintaining medium-to-high speed of growth and achieving medium-to-high level of development", the cement industry must keep up with the pace of economic restructuring, accelerate the upgrading of its industrial structure and continue to play an important role in supporting national construction and social development.

HSU, Shu-tong *Chairman*

Chairman's Statement

China's cement industry witnessed steady development in 2017. The supply side reform policy was proactively implemented and measures like stricter environmental protection requirements and off-peak season production were carried out in an orderly manner under the guidance of the government and driven by the association and efforts of industry players. As a result, the adverse situation of an unbalanced supply and demand in the cement industry had turned around. In 2017, demand of cement in China remained stable and the overall supply and demand in the industry was basically in balance. The cement output was 2.3 billion tonnes, with inventory level decreasing to a relatively low level comparing to that of previous years. Cement prices started to rise gradually since 2016, and recently reached a high level since 2011, with sharp rising trends in eastern China and south central China markets. Driven by rising prices, China's cement industry achieved satisfactory profits in 2017. The annual industry profit was over RMB87 billion, which great growth that of 2016.

Facing changes in the macro environment of the cement industry, Asia Cement (China) has adopted a stringent management approach and a meticulous plan for production and sales in major cities along Yangtze River and those in Southwest China region. The Group's cement sales volume in 2017 was stable. Selling prices rose significantly in the fourth quarter, resulting in an improved average cement price for the year when compared with that of 2016. Price upsurge and proper cost control increased gross profit per tonne of cement, leading to a significant improvement in overall profits. Among the major regional markets of Asia Cement (China), southeastern China displayed the best profitability performance, while central China also reported excellent performance and the southwestern China market witnessed a turnaround. In addition, the Group continued to maintain a leading position in markets such as Jiujiang, Nanchang, Huanggang, Wuhan, Chengdu and Yangzhou.

With excess capacity elimination and structure adjustment being the main focus of the cement industry development, China Cement Association clearly stated the objectives of achieving an average cement production capacity utilization of 70% in 2020, a clinker capacity concentration of the top 10 enterprises in China of over 70%, and a cement capacity concentration of 60%. As one of the top 10 cement and clinker producers in China, Asia Cement (China) is an influential cement brand in the market and hence has the responsibility to lead the market to optimize market structure as well as upgrade technology level. As such, the Group will persist in conducting merger, acquisition ("M&A") and restructuring activities, with the aim to replace outdated production capacity through M&A and enhance market concertation and regional market dominance. Also, the Group will maintain healthy market competition, striving for high quality development and achieving a win-win situation for both the company and the industry.

Looking into 2018, China's cement industry is facing a slowdown in investment growth and a change in the regulation of the real estate market. Demand of cement will enter a plateau phase. In the short term, the basic balance between supply and demand could be maintained through restriction of production. In the medium to long term, elimination of production capacities will be the key to healthy development of the industry. In accordance with the production capacity replacement approach promulgated by the Ministry of Industry and Information Technology of the People's Republic of China, not only is the new supply of production capacity strictly prohibited in the cement industry, but the effort to reduce capacity replacement is also stepped up. China Cement Association has also put forward specific plans to cut 20% clinker capacity in the next three years and to close one-quarter of cement grinding plants in all provinces. If all the proposals put forward by the government and the association could be implemented, the scale of supply of cement and clinker in China is expected to be effectively reduced, and the long-term imbalance between supply and demand will be eased, while the outlook for the industry to achieve positive results in the long run is promising.

Asia Cement (China) is fully confident in the prospects of the cement industry. In the future, the Group will monitor changes in market trends, grasp the market pulse and follow government policies. The Group will also pursue high environmental protection, high energy efficiency and low carbon emissions, so as to promote collaborative development with the cities and mutual benefits and prosperity with the society. For corporate operation, the Group will pay more attention to the innovative approach in sustainable responsibility, synergy link and analytical applications of data; proactively promote transformation and introduce advanced technology, such as digitization, automation, internet of things, cloud computing and artificial intelligence. The Group will gradually embark on the restructuring of the organization, improve operational efficiency and optimize cost benefits. In the face of revolutionary changes in industrial ecology, the Group will adopt a pragmatic attitude and an ambitious approach towards a promising future.

In 2017, the Group achieved excellent results under the leadership of its core management. As such, the Board would like to extend its heartfelt gratitude to the Group's management and employees for their dedication in the past year. As China's cement industry shifts from a high speed growth to a high quality development, the Group is confident in nurturing a new growth driver for the Company's sustainable development and seizing the next round of new opportunities for growth through innovation, transformation and restructuring using its visionary management concept and pragmatic business strategy. The Group strives to create better results for our shareholders for their support and confidence.

VICE CHAIRMAN'S STATEMENT

HSU, Shu-ping *Vice Chairman*

After a long period of high speed development of the construction materials industry in China, cement and other traditional sectors suffer from severe overcapacity. It is imperative for these industries to undergo structural adjustment, transformation and upgrade. Since entering the new phase of supply-side structural reform, excess capacity elimination, shoring up of weakness, structural adjustment, growth stabilization and efficiency enhancement, the national macro-economy and cement industry have shown signs of stability while moving in a positive direction. The benefits of supply-side structural reform are gradually felt, bringing new opportunities for the industry's advancement and development. The combined effects of various measures such as industry policies, standards, off-peak season production, industry self-discipline, restriction on new capacity and elimination of obsolete capacity have effectively alleviated the risk of significant drop in economic benefits as a result of severe overcapacity and disordered market competition, and substantially enhanced the cement industry's profit/efficiency. In recent years, energy saving, consumption reduction, potential exploration and efficiency enhancement has been the focus and direction of Asia Cement (China) to increase operation quality and profit/efficiency. By adopting various measures concurrently and refinement management across the board, the Group has made remarkable achievements in exploring potential, closing loopholes, reducing costs and increasing profit/efficiency in every aspect of its operation. During the year under review, the Group delivered outstanding performance by fulfilling and exceeding its pre-set targets.

Vice Chairman's Statement

In recent years, under the guidance of large-scale cement manufacturers, enterprises began to engage in mergers and acquisitions, which facilitated the fulfillment of the preliminary condition for eliminating obsolete capacity in the region and the optimization of the cement product structure; mainstream enterprises also helped provide guidance on the allocation of market resources, thereby preventing malicious competition among enterprises which might lead to a vicious cycle for the industry. In addition to mergers and acquisitions, diversified restructuring has also become another focus for market concentration. Strategic alliance, swap of production capacity and cross-ownership have injected some new elements into the industry under the new normal. The wave of diversified restructuring and capacity upgrade has opened up new opportunities for the development of Asia Cement (China). Asia Cement (China) has sound financial position, with flexible financing capability and development strategy. The Group will seize the opportunity to participate in the market reshuffle in order to facilitate supply-demand equilibrium and price stability.

On the other hand, capacity upgrade has also become a major direction for supply-side reform. In addition to improving product quality and requiring low-grade cement to phase out, the Chinese government has successively raised the environmental protection, energy consumption and safety requirements for cement production. Substandard enterprises are subject to differential electricity rates, environmental fines with no upper limit and severe punishment such as mandatory shut down or removal. Environmental policies have objectively set out the required environmental conditions and standards for operation of cement companies' capacity, thereby establishing an external regulative environment for eliminating capacity. The execution of stringent environmental policies has had ripple effect on eliminating capacity within the industry, forcing cement industry to practically push ahead with eliminating capacity. Elimination of inefficient entities and survival of the fittest are inevitable. The natural phase-out of the weak and incompetent players will provide Asia Cement (China), a high quality and environmentally friendly enterprise, the opportunity for gaining market share.

The future lies in the hands of those with capability, while team building is the key to develop capability. In the future, the Group will further localize, rejuvenate, institutionalize and integrate its talent strategy. It will employ outstanding mainlanders as executives. A young team of executives will maintain the vitality and innovation of the Group. The "Elect, Train, Delegate and Retain" management system moves with the times. While a uniformed human resources strategy of Asia Cement (China) will create a team of outstanding management members who are passionate about their career and mission, responsible and enterprising, it will also ensure sufficient talents to drive the development of the company.

China's economy has entered a new era. It is especially crucial to improve development quality and efficiency. Asia Cement (China) will place more emphasis on shoring up weaknesses, reducing costs, carrying out comprehensive benchmarking management, moving with the times, rectification of mistakes, continued improvement and excelling. The Group will continue to improve economic and technical indicators and labor productivity. While capitalizing on the favorable conditions and new trend in the development of the industry, the Group will also use innovative development ideas to reengineer its development strategy to achieve breakthroughs and new highs.

CEO'S REVIEW

WU, Chung-lih *Chief Executive Officer*

In 2017, the national cement price continued to rise with fluctuations and kept hitting historical highs. Cement prices across the country started to rise since late August. Not only did the prices continue to rally in autumn, being the traditional peak periods, but prices in several regions continued to surge significantly in November. During the year under review, investment slowed down as a result of declining growth rate of fixed asset investment, tightened austerity measures over property market and reducing inventory level, etc. On the other hand, benefiting from a stable Renminbi exchange rate, optimized investment structures, continued implementation of "The Belt and Road" strategy and new Free Trade Zones, as well as the launch of a "three-year initiative for removing the risk of flooding in highly vulnerable urban areas" and the promotion of the development of sponge cities, market demand for cement in 2017 remained highly stable. Cement output in China amounted to 2.3 billion tonnes, representing a year-on-year decrease of 0.2%, thus entering a slow-growth period.

CEO's Review

During the year under review, the Group's 15 kilns were in operation for the entire year. In 2017, the Group produced 24.17 million tonnes of clinker, down by 0.5% from that of the previous year, and 29.13 million tonnes of cement (including slag powder). Total sales volume dropped by 2.2% year-on-year to 30.20 million tonnes, including 28.18 million tonnes of cement and 1.76 million tonnes of clinker and 0.26 million tonnes of slag powder. The Group's cement price increased by RMB52 per tonne from that of the previous year to RMB245 (excluding tax). Meanwhile, the unit cost of coal consumption increased from the average price of RMB443 per tonne in the previous year to RMB636 per tonne (excluding tax).

The Group's revenue for 2017 amounted to approximately RMB7.82 billion, up by 23% year-on-year, with gross profit and net operating profit amounting to approximately RMB1.91 billion and RMB1.24 billion respectively, representing year-on-year increases of 53% and 119% respectively. The gross profit margin and net operating profit margin were 24.4% and 15.8% respectively, representing year-on-year increases of 4.7 percentage points and 6.9 percentage points respectively.

In 2017, cement price kept climbing as a result of the nationwide environmental inspections, off-peak season production practiced for all the cement production lines in 15 northern provinces and the implementation of tiered electricity pricing. Furthermore, the mergers between China National Building Material Co Ltd and China National Materials Co Ltd, acquisition and restructuring between BBMG Corporation and Jidong Cement, and the accession of Anhui Conch Cement Company into World Cement Association for strategic development of overseas markets had also significantly increased cement capacity concentration. However, the implementation of environmental tax policy, the announcement of the plan for elimination of excess capacity in the cement industry and abolition of the low-end 32.5-grade cement had brought challenges for the cement industry in eliminating excess capacity. Given the merger and acquisition activities in full swing in the industry, as well as possible market reshuffle in the future, the Group had made the following efforts and improvements:

I. MANAGEMENT

The Company had implemented a top-down centralized command chain. Apart from the auditing unit, staff and the management from headquarters leveraged their expertise to provide guidance to various operational regions and subsidiaries of the Group. On the other hand, general managers of subsidiaries obtained the Company's most updated information from finance, human resources and secretarial departments and execute headquarters' policy through a horizontal communication network.

To cultivate excellent talents, the Company had conducted training program for elites of the next generation, accelerated the training of mid-level managers, enhanced the management teams' overall quality and developed their competitive edges. The Company conducted teamwork implementation and QCC training on a regular basis to enhance communication among colleagues as well as to increase the efficiency of employees; applied Industry 4.0 and intellectualized service system so that staff could have more time to engage in innovative services. In future, it is planned to implement more flexible talent training system to respond to demands and succession planning. The Company had also conducted performance appraisal with the general managers of subsidiaries under the Group. The Group adopted key performance guidance to assess each subsidiary's operations, strengthening the concept of accountability and encouraging subsidiaries to tighten management of controllable items to save cost and improve operation efficiency. By monitoring management control on a monthly basis through operation management and general manager meetings, the Company achieved the overall target of zero incident associated with industrial safety, environmental protection and quality, etc. Moreover, the Company had implemented annual employee satisfaction surveys to understand the true feelings of employees and to gather first-hand information for management and decision-making, which could help to find out problems in business management.

II. MARKETING

Adapting to the development of industry, the Group promoted the application of mobile sales apps, grouped customers according to their demands, and allowed picking up products with QR codes. The Company also organized to have its salespeople to learn to place orders with QR codes, thus embarking on e-commerce in cement industry and reform of its operational system. The Group also strengthened its GPS management system to fully leverage the scrutinizing function to prevent channel conflict of its cement products. The process for regulating operations should be more systematic, reasonable and transparent.

The Group strengthened the management of distributors by fixing the problems of under-performed distributors. Distributors under the Company were classified into different categories, and those under-performed distributors were replaced. The Group also selected premium customers and exercised strict controls. The Group fine-tuned information on salespeople, set up a transparent sales process and strengthened the reward and disciplinary action to increase staff motivation.

At the same time, the Group exercised strict control over accounts receivable, stepped up collection efforts and shortened the accounts receivable turnover days. Overdue and bad debts were also thoroughly reviewed and handled. All these served to ensure that the Group utilized its capital efficiently. The Group had created optimum overall efficiency by summing up the solutions for quality discrepancy in the most recent three years to set up an efficient database to promote digitalized management, enhance communication and coordination and fully leverage the initiatives of employees.

III. TECHNOLOGY INNOVATION

The entire cement industry had entered a period of excess capacity, and that called for technical innovation without delay. The Group had to undergo structural adjustments and technology upgrades. The Group persisted in optimizing products with the concept that "Environmental protection is a part of social responsibility". By separating magnesium from limestone, the life of a mine can be extended while gravels and aggregates with high added values can be produced to create benefits for the Group. The Group insisted on safe production and supervisory management, and focused on "green mines" and "phytoremediation", to achieve a balance between biophysical environment and economic development through energy saving and emission reduction. The Group also engaged in waste heat recovery and increased direct electricity supply to ensure efficient use of resources.

In addition, the Group's cement quality had further enhanced; the Group had developed special cement and multi-function commodity concrete, as well as constructed raw material grinding system, which helped achieve diversified production. To ensure the Group had an advantage in price competition, train containers were fully utilised for the transportation of clinker and cement to lower transportation costs.

IV. ENERGY SAVING AND EMISSION REDUCTION

On 1 January 2018, the Chinese government started to implement the environmental tax policy, which detailed relevant provisions on taxation subject, taxation base, tax deduction and exemption and tax collection and management. To pursue environmental protection and step up energy saving and emission reduction, various regions proactively responded to the national policy and applied for sewage discharge permissions.

Under such circumstances, there will be new development opportunities for utilizing cement kilns to treat hazardous wastes and solid wastes. The Group will actively promote the transformation and upgrade of its business, increase profit growth drivers and contemplate the establishment of projects for utilizing cement kilns, so as to raise the overall standard of environmental protection and eventually achieve "green" transformation and upgrade.

Focusing on the reform of technology on energy saving and emission reduction, the Group will carry out dust management by making use of dust removal filter bags to collect particulate matters in emissions and using ammonia solution as the reducing agent to reduce the concentration of nitrogen oxide in emissions. In addition, the Group will step up the development of green products and low-carbon products, actively involve in carbon emission trading and increase initiative in reducing emission.

All in all, cement price in 2017 had exceeded expectation, and in some regions, it had even recorded new highs since 2010. Given the continued mergers, acquisitions and reorganization and transformation and upgrade of coal companies, coal price gradually returned to a reasonable range. Cement companies in 2+26 cities continued to adopt full implementation of off-peak season production in warm seasons; Xinjiang took the lead to discontinue production of 32.5-grade cement; China Cement Association established a task force for guiding on excess capacity elimination; the Ministry of Industry and Information Technology of the People's Republic of China had set strict proportion on capacity replacement and prohibited new supply of production capacity. These are all effective measures to suppress the blind expansion on the supply side and have had a positive impact on balancing demand and supply in the market. Given continued mergers and acquisitions among businesses, extension of supply chains of large companies and higher requirements for environmental protection, it is expected that there will be a further improvement in supply and demand relationship in 2018, along with a decrease in new supply of production capacity; supply of clinker capacity is expected to gradually reduce. The Group is fully confident that it will seize market opportunities by leveraging its competitive edge. In the new year, the Group will conduct thorough market review to capitalize on demand, lower costs and increase profits for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

1. BUSINESS REVIEW

In 2017, government departments across different regions fully carried out the plan determined by the State Council, by persevering with the key work guidance of making progress while maintaining stability, upholding the new development philosophy, and promoting structural optimization, shift of growth driver and quality improvement, with supply-side structural reform being the main task, thereby continually releasing the energy, power and potential for economic growth. Stability, coordination and sustainability significantly enhanced, achieving a steady and healthy development, with an annual GDP growth of 6.9%. In the past year, the Chinese economy maintained a steady and favorable development trend. The overall situation was better than expected.

The national cement industry began a 3-quarter period of price fluctuations since the start of 2017. Although cement prices in various provinces were subject to different degrees of changes in market demands, the overall trend benefited from the steady progress of supply-side reform. The cement industry continued to eliminate excess capacity; cement output was gradually under control, with declining proportion of inventories and price fluctuations around an upward trend. During the fourth quarter, restricted production due to air pollution prevention and release of demand led to short-term supply and demand imbalance, causing cement price to soar. The national average cement market price rose from RMB327 per tonne in February to RMB409 per tonne in December (excluding Tibet), representing an increase of 25% from the beginning of the year when compared with that at the end of the year. By December, cement prices (P.O42.5 bulk cement) in the mainstream markets of two-thirds of the provinces in China exceeded RMB400 per tonne; the prices in six of the mainstream markets reached over RMB500 per tonne. With continued upsurge in price and small volatility in demand, the industry's profits improved significantly. The profit of the entire industry for the whole year was exceed RMB87 billion, second only to 2011.

In 2017, the national fixed asset investment saw a 7.2% year-on-year increase, representing a 1.7 percentage points drop from that of 2016; property development investment growth rate was 7%, up by 0.1 percentage point from that of 2016. Against the backdrop of a slowdown in the growth of fixed asset investment, cement demand generally remained stable. The driving force of cement demand in 2017 was still insufficient. From a long-term perspective, it was obvious that cement demand had entered the plateau period. The cement output for the full year reached 2.32 billion tonnes, representing a decrease of 0.2% from that of 2016.

2017 marked an important year for the implementation of the Guobanfa [2016] No. 34 document. There were only 9 new cement and clinker production lines inaugurated in the country, with an aggregate additional clinker production capacity of 13.33 million tonnes, representing a decrease of 12.25 million tonnes or 47.9% when compared with 25.58 million tonnes in 2016. That was the fifth consecutive year of decline. Although the growth rate of new capacity had slowed down and the supply-side structural reform had forced a certain amount of capacity to be phased out of the market, the oversupply problem in the industry remained severe, and the utilization rate of clinker capacity was less than 70%. Market scramble and price competition were fierce, and such situation was not optimistic if the cause for the situation was considered.

In 2017, the Group kept up with the times and introduced a number of innovative ideas to meet the challenges brought forth by the new landscape of the industry and information tools. First, through the overall planning of the Group's headquarters, the Company introduced a number of information tools in batches at different times, such as developing mobile APPs suitable for business use and QR code technology for online customers. These technologies not only greatly improved the internal operation efficiency but also further improved customer cohesion with sincere customer services. As such, the soft power of the Company's cement brand in the market was augmented. Second, accounts receivable management in 2017 was constantly strengthened. Following a 7% decrease in the Group's accounts receivable in 2016, the Company still recorded a 17% decrease in accounts receivable in 2017. Not only was the overall amount significantly better than expected, but the structure was also continuously optimized and improved, effectively enhancing the cash flow of the Group. Third, despite the downturn of international cement prices and the unsatisfactory profitability of export, the Company steadily increased regional sales in established markets; as such the Group still held the number 1 and 2 market share rankings in its core markets. Through overall adjustment, the Company conducted marketing activities using the approach of a group as a whole, thus breaking physical boundaries. On top of that, the Group also gathered a large number of data of cross-regional (linking the provinces along the central and downstream regions of the Yangtze River) and cross-sector (extending the industrial chain, from cement to concrete and lumber and other areas) clients for big data analytics and used the detailed analysis of customers' big data to explore market potential. While the share of core markets with higher profitability near the factory area continued to be stable, the peripheral markets also achieved profits. Fourth, the Group had strictly complied with the laws and regulations promulgated by the government departments. All aspects of production, sales and transportation were in compliance with laws and regulations. While maintaining consistent low energy consumption and low emissions, the Group actively cooperated with government departments in assessing and planning the use of cement kilns to treat garbage and waste, thereby fulfilling corporate social responsibility.

Although the cement industry and downstream customers in the cement market were affected by the large-scale suspension of production and restricted production due to environmental protection requirements, the Group's clinker output in 2017 still reached 24.17 million tonnes, similar to that of 2016. The total sales volume of cement and clinker amounted to 29.94 million tonnes, representing a decrease of only 2.0% from that of 2016. Coupled with the steady progress of the supply-side reform since 2017, the prices in all major sales regions had risen, and the overall profitability of the Group had increased significantly from that of 2016.

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

Item	2017	2016	Change (%)
Cement	**28,180**	29,250	(3.7)
Clinker	**1,757**	1,298	35.4
Blast-furnace slag powder	**264**	320	(17.5)
Total	**30,201**	30,868	(2.2)

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

Item	2017	2016	Change (%)
Southeastern region	10,865	10,569	2.8
Central region	6,827	7,158	(4.6)
Southwestern region	7,565	8,595	(12.0)
Eastern region	2,923	2,928	(0.2)
Total	28,180	29,250	(3.7)

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

Item	2017		2016	
	Sales volume	Percentage (%)	Sales volume	Percentage (%)
High grade cement	24,198	86	24,555	84
Low grade cement	3,982	14	4,695	16
Total	28,180	100	29,250	100

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

Item	2017		2016	
	Sales volume	Percentage (%)	Sales volume	Percentage (%)
Bulk cement	22,404	80	22,333	76
Bagged cement	5,776	20	6,917	24
Total	28,180	100	29,250	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 2017, cement demand and supply in central and downstream regions of Yangtze River basically remained balanced. Affected by continual high coal price and rising limestone price as a result of tightened regulation of mining pier, production cost of cement for the first three quarters drove up. Nevertheless, a proper amount of output was reduced by large enterprises through practising off-peak season production, thereby contributing to a weak balance of demand and supply in low season and effectively reducing the magnitude of decline in cement price. Except for the unsatisfactory results from the implementation of self-disciplined restriction on production in Jiangxi during 2017 Chinese New Year which led to a substantial drop in price, other regions maintained an overall stable upward trend. Entering the fourth quarter, off-peak season production and restricted production policies were frequently promulgated among cement enterprises. Owing to the traditional off-peak season production, most of the cement enterprises in northern region had stopped production at the end of November. While in central and downstream regions of Yangtze River, with the arrival of construction peak, cement sales entered the high season and the price had exceeded 2012 record high. Despite off-peak season production, the Group managed to sell a total of 22.07 million tonnes of cement products in the central and downstream regions of Yangtze River in 2017, which was basically the same as that of 2016, by leveraging its long-term dedication to market development for over 10 years and guarantee of high product and service quality, as well as its competitive edge.

(2) Chengdu region

The Group had an aggregate cement capacity of 11 million tonnes in Chengdu region, being the largest cement producer in the region and ranked first in market share. Due to severe overcapacity, there was a large gap between supply and demand. Affected by the central environmental inspections in August and September, many downstream clients had suspended operations. Demand in Chengdu market for the full year of 2017 had dropped by more than 10% when compared with that of 2016, while cement prices hovered at low levels since the first half of the year. In October and November, with the rebound in demand and the effective execution of off-peak season production, prices started to pick up. Facing unfavourable situation, the Group had actively expanded its sales channels and sold a total of 8.13 million tonnes of cement products in the Southwestern region in 2017, representing a decrease of 0.63 million tonnes or 7.2% (better than the decrease of overall market demand) from 2016's 8.76 million tonnes, but a slight increase when compared with that of 2015.

Table 5: The Group's market share

Item	2017	2016
Jiujiang	**39%**	38%
Nanchang	**29%**	26%
Wuhan	**26%**	27%
Chengdu	**31%**	32%
Yangzhou	**26%**	28%

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 2017, the Group's revenue amounted to RMB7,815.5 million, representing an increase of RMB1,477.3 million or 23% from RMB6,338.2 million in 2016. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2017.

Region	2017 RMB'000	2017 %	2016 RMB'000	2016 %
Southeastern region	**3,072,869**	**39**	2,359,717	37
Central region	**1,898,329**	**25**	1,603,377	25
Southwestern region	**1,963,891**	**25**	1,718,501	27
Eastern region	**880,438**	**11**	656,557	11
Total	**7,815,527**	**100**	6,338,152	100

In respect of revenue contribution for 2017, sales of cement accounted for 88% (2016: 89%) and sales of concrete accounted for 4% (2016: 6%). The table below is a sales analysis by product for the reporting period:

	2017 RMB'000	2017 %	2016 RMB'000	2016 %
Cement	**6,911,717**	**88**	5,650,370	89
Clinker	**385,815**	**5**	198,785	3
RMC	**337,176**	**4**	401,292	6
Blast-furnace slag powder	**51,835**	**1**	44,330	1
Others	**128,984**	**2**	43,375	1
Total	**7,815,527**	**100**	6,338,152	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 2017, the Group's cost of sales increased by approximately 16% to RMB5,905.2 million from RMB5,088.0 million in 2016 due to the increase in the rising cost of coal used for manufacturing cement products.

The gross profit for 2017 was RMB1,910.3 million (2016: RMB1,250.2 million), with a gross profit margin of 24% (2016: 20%). The increase in gross profit was mainly attributable to the increase in the average selling price of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2017, other income amounted to RMB101.8 million, representing an increase of RMB10.8 million from RMB91.0 million in 2016. The increase in other income was attributable to the increase in government grant.

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 2017, other losses amounted to RMB81.3 million, representing a decrease of RMB23.3 million from other losses of RMB104.6 million in 2016. The decrease in losses was principally attributable to the decrease in foreign exchange loss from US dollar-denominated bank borrowings and more allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2017, the distribution and selling expenses decreased by approximately 8%, from RMB431.6 million in 2016 to RMB398.1 million in 2017. Such decrease was mainly attributable to a decrease in transportation and packaging costs of cement products during 2017.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 8%, from RMB254.8 million in 2016 to RMB275.9 million in 2017. The increase was attributable to the Group's remuneration adjustment, which led to higher remuneration cost during 2017.

The 24% increase in finance costs was mainly due to reduce the foreign exchange risk, all of the bank borrowing during 2017 was denominated in RMB with higher interest rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2017 increased by RMB654.5 million, constituting a profit of RMB984.8 million (2016: profit of RMB330.3 million).

Income Tax Expenses

In 2017, income tax expenses increased by RMB169.2 million or approximately 94% to RMB348.6 million, from RMB179.4 million in 2016.

Non-controlling Interests

In 2017, non-controlling interests amounted to RMB33.8 million, representing an increase of RMB16.4 million or approximately 94% compared with RMB17.4 million in 2016, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2017, the net profit of the Group amounted to RMB636.2 million, representing an increase of RMB485.2 million from the profit of RMB151.0 million in 2016.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2017. Total assets increased by approximately 3% to RMB16,410.0 million (31 December 2016: approximately RMB15,902.2 million), while total equity increased by approximately 6% to RMB10,210.4 million (31 December 2016: approximately RMB9,635.1 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2017, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB977.2 million (31 December 2016: RMB568.3 million), of which approximately 98% was denominated in RMB and approximately 2% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities decreased from RMB1,680.7 million in 2016 to RMB1,168.9 million in 2017.

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 investment held to maturity. In 2017, the net cash used in investment activities of the Group amounted to RMB137.6 million, representing a decrease from RMB188.1 million in 2016.

In 2017, the net cash used in financing activities of the Group amounted to RMB624.5 million. This was primarily due to repayment of borrowings in 2017.

Capital Expenditure

Capital expenditure for the year ended 31 December 2017 amounted to approximately RMB104.9 million, and capital commitments as at 31 December 2017 amounted to approximately RMB510.1 million. Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2017 and 2016 are summarized below:

	As at 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Short-term borrowings	**2,991,361**	**61**	1,928,934	37
Long-term borrowings	**1,911,998**	**39**	3,262,563	63
Currency denomination				
– RMB	**4,903,359**	**100**	5,191,497	100
– US dollars	**–**	**–**	–	–
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**4,903,359**	**100**	5,191,497	100
Interest rate structure				
– fixed-rate borrowings	**–**	**–**	–	–
– variable-rate borrowings	**4,903,359**	**100**	5,191,497	100
Interest rate				
– fixed-rate borrowings	**N/A**		N/A	
– variable-rate borrowings	**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%**		90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.25%	

As at 31 December 2017, the Group had unutilized credit facilities in the amount of RMB4,742.0 million.

As at 31 December 2017, the Group's gearing ratio was approximately 38% (31 December 2016: 39%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2017 and 2016, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2017.

Contingent Liabilities

As at the date of this report and as at 31 December 2017, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2017, the Group had 3,929 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC, and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group. As at 31 December 2017, no share options were granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2017.

Foreign Exchange Risk Management

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

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

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

2. BUSINESS PROSPECTS

The Central Economic Work Conference convened in December 2017 had explicitly stated that 2018 was a crucial year for carrying out the "13th Five-Year Plan". It is also a year for economic work to adhere to the key guidance of making progress while maintaining stability by insisting the supply-side structural reform being the main task, innovating and fine-tuning macro austerity measures, pushing ahead with quality reform, efficiency reform, growth driver reform, as well as guiding and stabilising expectations. The cement industry will accelerate the implementation of excess capacity elimination policy and explore green production, leading to continued improvement in industry's supply side. According to Digital Cement's forecast, cement market demand in 2018 will basically be the same or a bit lower than that of 2017, while cement prices will be stabilised and move within a reasonable range. It is expected that the industry profits will remain stable.

In view of the abovementioned favourable factors, the Group has expectations for 2018. First, given the domestic and international economic environment in 2017, national economic performance was better than expected. Based on a preliminary estimate, the GDP growth rate for 2017 would be 6.9% year-on-year. It is expected that the GDP growth rate for 2018 will not be lower than this rate. The economy will continue to maintain a steady growth. Infrastructure investment remains the key contributor to a steady economic growth, as well as a strong support for cement demand; in particular, infrastructure investment will perform better in areas relating to people's livelihood such as PPP projects, targeted poverty alleviation and shantytown redevelopment. In 2018, infrastructure investment will remain stable. It is expected that growth in fixed asset investment in 2018 will be approximately 7.2%, which is the same as that of 2017. Second, off-peak season production will increase under tightened air pollution preventative measures. During the two years of 2016 and 2017, four batches of central environmental inspectors had been dispatched, covering 31 provinces in China. In November, the Ministry of Industry and Information Technology and Ministry of Environmental Protection issued a notice, proposing the implementation of off-peak season production during warm seasons in the cement industry in accordance with the relevant requirements. The State will pay more attention to the quality of environment in 2018 and step up efforts to tackle air pollution problem; this coupled with the requirements to solve the problem of overcapacity in the industry will lead to a greater magnitude of off-peak season production in the cement industry across the country when compared to previous years. Driven by factors such as policies, the market will show a significant contraction in cement supply. Third, pollution discharge fee is replaced by an environmental protection tax. Differential tax rates will force obsolete capacity to phase out and/or upgrade. Since 1 January 2018, China starts to impose environmental protection tax across the country, replacing the pollution discharge fee. Taxation will be calculated basing on the amount of taxable pollutants discharged. Calculating tax payable based on the amount of pollutant emission will help raise environmental awareness of enterprises discharging pollutants, making them adopt anti-pollution measures and reduce emission, while the market competitiveness of producers with high energy consumption and high emission will decrease. Those enterprises with low energy consumption and emission, as represented by the Group, will enjoy the advantage of this tax to maintain low costs, further raising their market competitiveness. Fourth, the announcement of timetable for the plan for eliminating excess capacity coupled with various measures. According to the Action Plan for Eliminating Excess Capacity in the Cement Industry (2018-2020) published by China Cement Association, elimination of 135.80 million tonnes of clinker capacity will be completed in the entire country and 210 cement grinding mills will be closed in 2018. It strives to completely stop the production of 32.5 grade cement in the first half of 2018. A timetable with details on the implementation of reduction and elimination of excess capacity in the cement industry was explicitly put forth. The elimination of excess cement capacity will be carried out along with other measures including restriction on new supply of capacity, phase-out of obsolete capacity, clampdown on illegal production capacity and cessation of production of 32.5 grade cement. All this will greatly facilitate healthy development of the Group and the industry as a whole. In view of a number of favourable factors in the industry, the Group will seize the opportunities and ride the trend, with an aim to achieve record high revenue and become profitable. 2018 is a year worth looking forward to.

The market trend and forecast for the various quarters estimated by the Group are as follows: price will slightly decrease in the first quarter due to Spring Festival, rain and snow, etc; both quantity and price will rise in the second quarter as a result of warmer weather and increase in construction work; the third quarter marks high temperature and busy season for farmers; but off-peak season production in the industry will help stabilise the price; the fourth quarter is also the traditional peak season: demand will increase significantly, and quantity and price in the industry will both surge.

All in all, the Group will continue to uphold its corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation". The Group will fully utilise advanced information technology to upgrade the traditional cement industry, simplify work flow, increase production and sales efficiency, as well as lower the overall operating costs. Furthermore, the Group will tighten energy saving and emission reduction management. With respect to urban waste treatment and sludge treatment, the Group will follow government policies and actively fulfil its corporate social responsibility by establishing a green factory. Meanwhile, the Group adopts lean human resources strategies, strengthening staff training and introducing visionary and advanced management method, to create a new form of enterprise. Through constant improvement, enhancement, lean management and innovation, the Group will not only be able to lift its overall profitability to a new level, but will also develop Asia Cement (China) into an international company with depth, rich in culture and committed to social responsibility.

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 2017, except the following:

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

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. TSIM, Tak-lung Dominic, an independent non-executive Director was unable to attend the annual general meeting of the Company held on 26 May 2017 due to his overseas commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review. Details of the shareholding interests held by the Directors as at 31 December 2017 are set out in page 39 of this annual report.

BOARD OF DIRECTORS

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

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

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

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

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2017, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lin, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2017, and Ms. Wu, Ling-ling has entered into a service contract with the Company for a team of three years commencing on 1 April 2016, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

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

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. LEE, Kao-chao and Dr. WANG, Kuo-ming commencing on 27 April 2017, 13 April 2015, 13 April 2015 and 1 October 2015 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and four meetings were held in 2017. 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 2017.

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

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

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 2017 is set out below:

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

Notes:

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Two meetings were held with the management and/or the external auditors in 2017. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

One meeting was held in 2017. Members of Remuneration Committee attendance at committee meeting held during their term of office are listed below:

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration of the members of senior management by bands in 2017 is set out below:

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

INDEPENDENCE COMMITTEE

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

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

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

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

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

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

One meetings were held in 2017. Members of Independence Committee attendance at committee meeting held during their term of office are listed below:

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

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

NOMINATION COMMITTEE

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

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

One meetings were held in 2017. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2017, 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 45 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 45 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2017 is as follows:

	2017 RMB'000
Audit services	**4,445**
Non-audit services	**–**
Total	**4,445**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management, conduct reviews of the effectiveness of the Company's risk management and internal control systems, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's risk management and internal audit department and management on the effectiveness of the Company's risk management and internal control systems, and reports to the Board on such reviews. In respect of the year ended 31 December 2017, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

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

SHAREHOLDERS' RIGHTS

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

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

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

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The 2017 annual general meeting of the Company ("2017 AGM") was held on 26 May 2017. The notice of the 2017 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2017 AGM.

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

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. HSU, Shu-ping	1/1
Mr. CHANG, Tsai-hsiung	1/1
Dr. WU, Chung-lih	1/1
Mr. CHANG, Chen-kuen	1/1
Mr. LIN, Seng-chang	1/1
Ms. Wu, Ling-ling	1/1
Non-executive Director	
Mr. HSU, Shu-tong	1/1
Independent Non-executive Directors	
Mr. TSIM, Tak-lung Dominic	0/1
Mr. LEE, Kao-chao	1/1
Mr. WANG, Wei	1/1
Dr. WANG, Kuo-ming	1/1

The Company's external auditor also attended the 2017 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 2017, Ms. HO Siu Pik ("Ms. Ho") of Tricor Services Limited, external services provider, has been appointed as the Company Secretary with effect from 22 March 2017 to fill the vacancy left from the resignation of Mr. Lo. Ms. Ho's primary contact person at the Company is Mr. WU Chien-hua, the associate of the finance department and the manager of the accounting department of the Group.

Directors and Senior Management

DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 76, is the chairman of the Group. Mr. HSU's principal responsibilities involve leading the overall strategy and business development of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises 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 60,000, and in 2017, it has total assets of US$82.3 billion and annual revenues of US$21.2 billion.

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

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

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

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

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 72, 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 94, is an executive Director of the Group. He is mainly responsible for the formulation and implementation of the overall business strategy and the planning and supervision of the Group's overall operation in China. Mr CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr CHANG has more than 53 years of experience in the cement industry in both Taiwan and Mainland China. He has devoted enormous efforts in introducing advanced production techniques and highly efficient operation management to the cement industry in Taiwan and Mainland China. Under Mr CHANG's supervision, the production scale and operation efficiency of the Group's production facilities in Mainland China continue to increase. In recent years, together with the management team of the Group, Mr CHANG actively promoted the implementation of energy saving and environmental protection measures during the cement production process, while utilizing cement production facilities to solve urban waste problem. Mr CHANG joined Far Eastern Group, Asia Cement Corporation, since 1963 and later joined the Group in October 1997. During his tenure with the Company, Mr CHANG had taken various positions including engineer, deputy factory head, factory head, chief factory head, deputy general manager, general manager and officer-in-charge of factory construction and chief operation officer of the subsidiaries of Asia Cement (China) Holdings Corporation, vice chairman and the prestigious position as the advisor of the Group. Besides serving as engineer in various companies in Mainland China in his early years, Mr CHANG was also hired as engineer, factory head of maintenance plant and division head of ship machinery by Keelung Harbour Bureau and Hualien Harbour Bureau in Taiwan.

Dr. WU, Chung-lih (吳中立), aged 68, is an executive Director, the chief executive officer, the chief administrative officer and the compliance officer of the Group. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, including the previous duty of general administrative affairs. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Ms. WU, Ling-ling (吳玲綾), aged 52, has served as an executive Director and the Chief Financial Officer of the Company since April 2016. Ms. WU is also the chief financial officer and executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and its affiliate, Far Eastern Group of Taiwan ("FEG"). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of **China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015. Ms. Wu has also been the Chief of Staff of the Company since September 2014. From June 2001 to July 2007, Ms. WU served as Vice President of Internal Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People's Republic of China as well as abroad.

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

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

Mr. CHANG, Chen-kuen (張振崑), aged 71, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 48 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 74, 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 71, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Mr. LEE, Kao-chao (李高朝), aged 80, has served as an independent non-executive Director of the Company since April 2015. Mr. LEE completed his M.A. from Agricultural Economics Graduate School of Taiwan University in 1960. In 1973, Mr. LEE went to Vanderbilt University, Tennessee, USA, for his second M.A. in Economic Development, before returning to his position as the Director of Economic Research Department in Council for Economic Planning and Development ("CEPD"), Executive Yuan, Taiwan. Later on, Mr. LEE was promoted as Vice Chairman, or Deputy Minister of CEPD, which position he had stayed for eight years and he was responsible for coordination of economic policies. Mr. LEE has been a director of the board of Taipei City Bank, now privatized Taipei-Fubon Bank, for eight years, and a director of the board of Chang Hwa Bank for three years, well contributing his knowledge on economic and financial development at home and abroad. Mr. LEE has long been the ad joint professor in Taiwan University, teaching Inter-industry relationship, or Input-output Study, which area he has well practicing the interactions of industries. He had been teaching managerial economics in the Business School of Yuan Ze University after retiring from government sector. Mr. LEE served as an independent director of Asia Cement Corporations from June 2005 to June 2014.

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Mr. WANG Wei (王偉), aged 61, has served as an independent non-executive Director of the Company since April 2015. Mr. WANG was the vice president of **China National Materials Company Limited ("Sinoma") and retired in 2016. Mr. WANG served as a director and the president of Sinoma International Engineering Co., Ltd from December 2001 to December 2009 and as the chairman of the board of Sinoma International Engineering Co., Ltd from December 2009 to September 2014. Mr. WANG served as the supervisor of Sinoma from July 2007 to March 2010 and was appointed as the vice president of Sinoma in March 2010. Mr. WANG joined the Sinoma group in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. WANG served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. WANG has extensive knowledge of the industry. Before he retired, he also served as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products, an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies, the China director of the BRICS Business Council, the vice president of China Building Materials Federation and the vice president of China Cement Association. Mr. WANG graduated from Nanjing University of Technology in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

Dr. WANG,Kuo-ming (王國明), aged 74, has served as an independent non-executive Director of the Company since October 2015. Dr. WANG graduated from the Kansas State University with a master degree and PhD degree in Industrial Engineering. Following graduation, he returned to Taiwan and joined Nation Tsing Hua University, where he was an associate professor, professor, head of the department of industrial engineering, and secretary general. In 1989, Dr. WANG was appointed as the founding president of Yuan Ze University. Under his 10-year leadership from 1989 to 1999, Yuan Ze University developed into the best private university in Taiwan. Dr. WANG then returned to National Tsing Hua University and served as the dean and professor of Technology Management College from 2000 to 2003.

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

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

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SENIOR MANAGEMENT

Mr. LIN, Rong-chou (林榮洲), aged 72, is the chief audit officer of the Group. Mr. LIN, is primarily responsible for internal audit function for the Group. Mr. Lin graduated from TamKang University in Taiwan majoring in professional corporate management. Mr. Lin joined Asia Cement in November 1971 and joined the Group in September 2006.

Mr. WU, Chien-hua (吳建華), aged 62, is the associate of the finance department and the manager of the accounting of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LEE, Shaw-shan (李紹先), aged 63, 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. Lee Kei-yun (李啟苑), aged 49, is the assistant manager of the Group's business department. Mr. Lee is primarily responsible for assisting the chief marketing officer in formulating and executing the Group's sales and marketing strategies and monitoring marketing activities. Mr. Lee accumulated over 20 years of marketing and accounts receivable management experience in such industries as banking, telecommunication, and paper making. He joined the Group in April 2017.

COMPANY SECRETARY

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

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Directors’ Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group’s principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 119 to 121 of this annual report. There were no significant changes in the nature of the Group’s principal activities during the year under review.

BUSINESS REVIEW

A fair review of the Group’s business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended 31 December 2017, and the likely future development in the Group’s business can be found in the sections headed “Chairman’s Statement” on pages 4 to 5 and “Management Discussion and Analysis” on pages 12 to 21 of the annual report. Details about the Group’s financial risk management are set out in Note 4 to the consolidated financial statements. This discussion forms part of this Directors’ Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Directors recommended the payment of a final dividend of RMB15.5 cents per ordinary share, totaling RMB242,862,000 in respect of the year to shareholders on the register of members on 17 May 2018. The proposed final dividend for the year ended 31 December 2017 has been approved at the Company’s Board meeting on 22 March 2018. Details of the dividends for the year ended 31 December 2017 are set forth in note 15 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 April 2018 to Tuesday, 8 May 2018, 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 Friday, 27 April 2018.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Thursday, 17 May 2018 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity on page 53 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,608.9 million. The amount of approximately RMB2,608.9 million includes the Company's share premium account of approximately RMB3,431.8 million and accumulated losses of approximately RMB822.9 million in aggregate as at 31 December 2017, 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 RMB2.1 million.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

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

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2016 and 2017.
— 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 2016 and 2017.
— 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 2017 are set out in Note 40 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions as defined under the Listing Rules.

DIRECTORS

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

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

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

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

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

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

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

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

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2017 are set out in note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the financial year ended 31 December 2017.

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 2017 or at any time during the financial year ended 31 December 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company, Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2017, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lin, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2017, and Ms. Wu, Ling-ling has entered into a service contract with the Company for a term of three years commencing on 1 April 2016, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

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

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years. The Company has issued an appointment letter to Mr. TSIM, Tak-lung Dominic, Mr. WANG, Wei, Mr. Lee, Kao-chao and Dr. Wang, kuo-ming commencing on 27 April 2017, 13 April 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.

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 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

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

Long positions in shares and underlying shares of associated corporation

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

Save as disclosed above, as at 31 December 2017, 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 2017 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	72.51%
Invesco Hong Kong Limited	Investment Manager	109,533,500	6.99%

Note:

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

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

The Share Option Scheme will expire on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2017, 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 2017.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

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

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

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

NON-COMPETITION UNDERTAKING

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

In determining whether each of Asia Cement and Far Eastern had fully complied with the non-competition undertakings during the year ended 31 December 2017 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 2017, (b) no new competing business was reported by each of Asia Cement and Far Eastern as at 31 December 2017; 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 2017.

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 2017.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTION

Jiangxi Yadong Cement Co., Ltd. ("Jiangxi Yadong"), a subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Asia Cement Corporation on 22 March 2017, pursuant to which Jiangxi Yadong agreed to sell and Asia Cement Corporation agreed to buy ordinary Portland cement and clinker in bulk. The term of the Sale and Purchase Agreement commenced from 22 March 2017 and ended on 31 December 2017.

Pursuant to the Sale and Purchase Agreement, Jiangxi Yadong agreed to supply to Asia Cement Corporation up to 495,000 metric tonnes of cement and 55,000 metric tonnes of clinker from 22 March 2017 to 31 December 2017. The unit selling price was based on the actual transaction unit price per metric tonne when the cement was loaded at the Taizhou Port, Jiangsu Province, the People's Republic of China, which was equivalent to the Buyer's selling price to its customers after deducting US$0.5 to US$1 (representing the Buyer's operating charge); in any event, however, such purchase price shall range from US$37 to US$41 per metric tonne for cement and from US$34 to US$38 for clinker, after deducting the Buyer's operating charge.

Asia Cement Corporation holds approximately 72.51% of the entire issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. Asia Cement Corporation is principally engaged in the manufacture and sales of cement, concrete and related products through self-built production lines and diversified investment.

For the year ended 31 December 2017, the transaction amount under the Sales and Purchase Agreement was US$6,279,730, whereas the relevant annual cap was US$22,385,000.

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

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 117 of the Annual Report in accordance with Rule 14A.56 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
HSU Shu-tong
Chairman

22 March 2018

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 123, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant judgements made by the management in determining whether objective evidence of impairment exists and the related estimation uncertainty in the measurement of impairment loss. At 31 December 2017, the Group had trade receivables with an aggregate carrying amount of RMB917,668,000, net of the allowance for doubtful debts of RMB162,179,000. The carrying amount of trade receivables included an aggregate carrying amount of overdue balance amounting to RMB218,096,000 for which the Group had not provided for impairment loss as set out in note 26 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, in determining the recoverability of trade receivables, the management considers the creditability of its customers, taking into account the past default experiences, settlement records, subsequent settlements, aging analysis of the trade receivables and the value of collaterals over certain of the overdue trade receivables.	Our procedures in relation to the impairment assessment of trade receivables included: • Understanding the process with respect to impairment assessment by the management; • Testing the accuracy of aging analysis of the trade receivables, on a sample basis, to the source documents including invoices; • Assessing the appropriateness of allowance by considering aging analysis, subsequent cash receipts, past payment practices and value of collaterals held by the Group; and • Evaluating the existence and value of collaterals by examining the collateral documents and externally available information.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and significant judgement and estimate involved in determination of the recoverable amounts of cash generating units to which goodwill has been allocated. As disclosed in notes 4 and 21 to the consolidated financial statements, the carrying amount of goodwill was RMB693,000,000 as at 31 December 2017, which have been allocated to two cash generating units engaged in the cement business in the People's Republic of China. The management performed an impairment assessment of these cash generating units and determined the recoverable amounts based on value in use calculations using discounted cash flow model. The management has made a number of key assumptions in the value in use calculations. The key assumptions include growth rates and the forecast performance in respect of budgeted sales and budgeted costs based on the management's view of future business prospects.	Our procedures in relation to the impairment assessment of goodwill included: • Challenging the key assumptions used, including specifically the operating cash flow projections and growth rates based on our knowledge of the cement industry as well as historical performance of the Group; • Engaging our internal valuation expert to assess the discount rates used in the impairment assessment model by benchmarking against independent data; • Testing a selection of data inputs underpinning the cash flow forecast against appropriate supporting evidences, such as approved budgets, to assess the accuracy and reliability; and • Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact on the recoverable amounts of the cash generating units.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	7	**7,815,527**	6,338,152
Cost of sales		**(5,905,183)**	(5,088,000)
Gross profit		**1,910,344**	1,250,152
Other income	9	**101,821**	90,981
Other gains and losses	10	**(81,325)**	(104,614)
Distribution and selling expenses		**(398,141)**	(431,594)
Administrative expenses		**(275,869)**	(254,828)
Finance costs	11	**(275,388)**	(222,424)
Share of profits of joint ventures		**3,334**	2,539
Share of profit of an associate		**54**	110
Profit before tax		**984,830**	330,322
Income tax expense	12	**(348,627)**	(179,364)
Profit for the year	13	**636,203**	150,958
Profit for the year attributable to:			
Owners of the Company		**602,377**	133,562
Non-controlling interests		**33,826**	17,396
		636,203	150,958
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**602,377**	133,562
Non-controlling interests		**33,826**	17,396
		636,203	150,958
		RMB	RMB
Earnings per share			
Basic	16	**0.384**	0.085
Diluted		**0.384**	0.085

Consolidated Statement of Financial Position

AT 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**9,301,776**	10,079,179
Quarry	*18*	**201,736**	250,322
Prepaid lease payments	*19*	**719,487**	735,033
Investment properties	*20*	**60,391**	20,370
Goodwill	*21*	**693,000**	693,000
Other intangible assets	*22*	**4,414**	4,431
Interest in joint ventures	*23*	**43,772**	63,725
Interest in an associate	*24*	**16,275**	17,021
Restricted bank deposits	*28*	**30,410**	29,758
Deferred tax assets	*31*	**57,474**	68,979
Long term prepaid rental	*33*	**22,000**	24,283
		11,150,735	11,986,101
CURRENT ASSETS			
Inventories	*25*	**727,506**	767,818
Long term receivables – due within one year	*32*	**–**	25,953
Trade and other receivables	*26*	**2,960,006**	2,039,576
Prepaid lease payments	*19*	**22,912**	23,279
Loans to related companies	*27*	**546,599**	476,683
Amount due from an associate	*27*	**6,153**	3,752
Amount due from a joint venture	*27*	**49,281**	40,465
Restricted bank deposits	*28*	**6,548**	5,108
Bank balances and cash	*28*	**940,247**	533,420
		5,259,252	3,916,054
CURRENT LIABILITIES			
Trade and other payables	*29*	**1,011,148**	969,138
Amounts due to joint ventures	*27*	**24,216**	13,479
Tax payables		**208,474**	48,015
Borrowings – due within one year	*30*	**2,991,361**	1,928,934
		4,235,199	2,959,566
NET CURRENT ASSETS		**1,024,053**	956,488
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,174,788**	12,942,589

Consolidated Statement of Financial Position

AT 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*30*	**1,911,998**	3,262,563
Deferred tax liabilities	*31*	**25,636**	22,327
Provision for environmental restoration	*34*	**26,770**	22,551
		1,964,404	3,307,441
NET ASSETS		**10,210,384**	9,635,148
CAPITAL AND RESERVES			
Share capital	*35*	**140,390**	140,390
Reserves		**9,769,542**	9,214,171
Equity attributable to owners of the Company		**9,909,932**	9,354,561
Non-controlling interests		**300,452**	280,587
TOTAL EQUITY		**10,210,384**	9,635,148

The consolidated financial statements on pages 50 to 123 were approved and authorised for issue by the Board of Directors on 22 March 2018 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 2017

	Attributable to owners of the Company						Attributable to non-controlling interests	
	Share capital RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserve RMB'000 *(note c)*	Distributable reserves RMB'000 *(note d)*	Sub-total RMB'000	RMB'000	Total RMB'000
Balance at 1 January 2016	140,390	1,351,069	286,038	1,635,906	5,885,939	9,299,342	271,584	9,570,926
Profit and total comprehensive income for the year	–	–	–	–	133,562	133,562	17,396	150,958
Appropriation	–	58,858	–	–	(58,858)	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	(78,343)	(78,343)	–	(78,343)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(8,393)	(8,393)
Balance at 31 December 2016	140,390	1,409,927	286,038	1,635,906	5,882,300	9,354,561	280,587	9,635,148
Profit and total comprehensive income for the year	–	–	–	–	602,377	602,377	33,826	636,203
Appropriation	–	105,415	–	–	(105,415)	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	(47,006)	(47,006)	–	(47,006)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(13,961)	(13,961)
Balance at 31 December 2017	140,390	1,515,342	286,038	1,635,906	6,332,256	9,909,932	300,452	10,210,384

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 the 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 2017 and 2016 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 2017 and 2016 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 amount includes share premium and retained earnings of the Group.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**984,830**	330,322
Adjustments for:		
Depreciation and amortisation	**891,129**	876,353
Finance costs	**275,388**	222,424
(Increase) decrease in fair value of investment properties	**(3,330)**	580
Allowance for doubtful debts, net	**35,975**	14,277
Provision for environmental restoration	**4,219**	4,337
Loss on disposal/write off of property, plant and equipment	**25,408**	1,453
Impairment loss on property, plant and equipment	**–**	21,605
Impairment loss on investment in joint ventures	**20,031**	11,703
Loss on disposal of other intangible assets	**218**	–
Interest income on bank deposits	**(8,456)**	(14,698)
Share of profits of joint ventures	**(3,334)**	(2,539)
Share of profit of an associate	**(54)**	(110)
Operating cash flows increase before movements in working capital	**2,222,024**	1,465,707
Decrease (increase) in inventories	**40,312**	(27,037)
(Increase) decrease in trade and other receivables	**(993,096)**	456,360
(Increase) decrease in amount due from an associate	**(2,401)**	3,495
(Increase) decrease in amount due from a joint venture	**(10,316)**	10,593
Increase (decrease) in trade and other payables	**74,965**	(85,392)
Increase (decrease) in amounts due to joint ventures	**10,737**	(4,681)
Decrease in amount due to ultimate holding company	**–**	(828)
Cash generated from operations	**1,342,225**	1,818,217
Income taxes paid	**(173,354)**	(137,487)
NET CASH FROM OPERATING ACTIVITIES	**1,168,871**	1,680,730

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Loans to related companies	**(546,599)**	(696,307)
Purchases of property, plant and equipment	**(129,126)**	(58,230)
Payment for acquisition of quarries	**(839)**	(10,374)
Purchases of land use rights	**(6,203)**	(119,171)
Placement of restricted bank deposits	**(3,365)**	(2,232)
Purchases of intangible assets	**(1,663)**	(1,199)
Repayment from related companies	**476,683**	676,559
Proceeds on disposal of property, plant and equipment	**30,040**	13,244
Advance to a joint venture	**–**	(15,000)
Repayment from a joint venture	**1,500**	–
Repayment of long term receivables from local governments in the PRC	**28,236**	6,774
Interest received on bank deposits	**8,456**	14,698
Withdrawal of restricted bank deposits	**1,273**	838
Dividends received from a joint venture	**3,256**	1,456
Dividends received from an associate	**800**	800
NET CASH USED IN INVESTING ACTIVITIES	**(137,551)**	(188,144)
FINANCING ACTIVITIES		
Repayments of borrowings	**(7,475,867)**	(8,031,859)
Interest paid	**(275,388)**	(224,105)
Dividends paid	**(47,006)**	(78,343)
Dividends paid to non-controlling interests	**(13,961)**	(8,393)
New borrowings raised	**7,187,729**	6,278,284
NET CASH USED IN FINANCING ACTIVITIES	**(624,493)**	(2,064,416)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**406,827**	(571,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**533,420**	1,105,250
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**940,247**	533,420

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 sales 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")

Amendments to IFRSs that are mandatorily effective for the current year

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 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Except as described below, 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 disclosure set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised to IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 *Insurance Contracts*[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2018.*
2 *Effective for annual periods beginning on or after 1 January 2019.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for annual periods beginning on or after 1 January 2021.*

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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.

- 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.

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

New and revised to IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company (the "Directors") anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- All financial assets and financial liabilities continue to be measured on the same bases as are currently measured under IAS 39 with the exception of impairment requirement (see below).

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group. In particular, the Group will adopt "the simplified approach "to measure the loss allowance for all trade receivables at an amount equal to lifetime expected credit losses.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables, amount due from a joint venture and loans to related companies. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and increase the deferred tax assets at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

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

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

New and revised to IFRSs in issue but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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.

In 2016, the HKICPA issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors have performed a review of the existing contractual arrangement with its customers and the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and revenue recognised in the respective reporting periods.

IFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

New and revised to IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB681,765,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB214,000 and refundable rental deposits received of RMB2,610,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Directors anticipate that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

Except as described above, the Directors anticipate that the application of all other new and amendments to IFRSs in issue but not yet effective in the current year will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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

Investments in associates and joint ventures

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

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

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

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

The 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.

Investments in associates and joint ventures (continued)

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

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

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

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

Revenue 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 apportionment 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 construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and buildings

When the Group make payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Quarry

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Impairment on 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.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash – generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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 without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to 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 earnings.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Trade receivables, other receivables, amounts due from related companies, loans to related companies, restricted bank deposits and bank balances and cash are classified into the loans and receivables. 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.

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

Provision for environmental restoration

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2017, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Impairment assessment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The management considers the creditability of its customers taking into account the past default experience, settlement records, subsequent settlements, aging analysis of the trade receivables and the value of collaterals over certain of the overdue trade receivables. 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 2017, the carrying amount of trade receivables was RMB917,668,000 (2016: RMB1,103,451,000) (net of allowance for doubtful debts of RMB162,179,000 (2016: RMB127,283,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was RMB693,000,000 (2016: RMB693,000,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 21.

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

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

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

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

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

Property, plant, and equipment are stated in the consolidated statement 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 2017, the carrying value of property, plant and equipment of the Group was approximately RMB9,301,776,000, net of impairment of RMB21,605,000 (2016: RMB10,079,179,000, net of impairment of RMB21,605,000).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,203,916**	3,005,308
Financial liabilities		
Amortised cost	**5,556,599**	5,902,544

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables – due within one year, trade and other receivables, trade and other payables, amount due from a joint venture, amounts due to joint ventures, loans to related companies, borrowings, restricted bank deposits and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risks (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 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

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

Market risks

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

(i) Interest rate risk

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

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Interest Rate ("Benchmark Rate") or Hong Kong Interbank Offered Rate ("HIBOR") ((2016: Benchmark Rate or HIBOR) arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analysis for 2017 and 2016 has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances deposited in reputable banks in PRC. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) and a 50 basis points (2016: 50 basis points) 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 changes in interest rates.

Borrowings

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB22,969,000 (2016: RMB24,098,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk (continued)

Bank balances

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB2,539,000 (2016: RMB1,566,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

(ii) Currency risk

Certain bank deposits (note 28) and bank borrowings (note 30) of the Group are denominated in United States Dollars ("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% (2016: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates.

A positive (negative) number indicates 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 profit.

	Impact of USD		Impact of HKD		Impact of SGD	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**1,760**	1,033	**153**	32	**69**	101

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2017 RMB'000
2017							
Trade and other payables	–	**629,024**	–	–	–	**629,024**	**629,024**
Amounts due to joint ventures	–	**24,216**	–	–	–	**24,216**	**24,216**
Variable interest rate borrowings	**5.00**	**634,852**	**2,439,404**	**2,071,099**	–	**5,145,355**	**4,903,359**
		1,288,092	**2,439,404**	**2,071,099**	–	**5,798,595**	**5,556,599**

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

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

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:

	2017 RMB'000	2016 RMB'000
Sales of cement products and related products	**7,478,351**	5,936,860
Sales of concrete	**337,176**	401,292
	7,815,527	6,338,152

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 include 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.

8. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2017

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	**7,478,351**	**337,176**	**7,815,527**	**–**	**7,815,527**
Inter-segment sales	**69,702**	**1,222**	**70,924**	**(70,924)**	**–**
Total	**7,548,053**	**338,398**	**7,886,451**	**(70,924)**	**7,815,527**
Segment results	**1,366,000**	**(44,205)**	**1,321,795**	**–**	**1,321,795**
Unallocated income					**4,562**
Central administration costs, directors' salaries and other unallocated expenses					**(69,527)**
Share of profits of joint ventures					**3,334**
Share of profit of an associate					**54**
Finance costs					**(275,388)**
Profit before tax					**984,830**

For the year ended 31 December 2016

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

8. SEGMENT INFORMATION (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent 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.

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2017				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	**(6,946)**	**(674)**	**(836)**	**(8,456)**
Government grants	**(71,444)**	**(5)**	**(478)**	**(71,927)**
Depreciation and amortisation	**865,917**	**18,049**	**7,163**	**891,129**
Loss on disposal/write-off of property, plant and equipment	**101**	**24,792**	**515**	**25,408**
Allowance for doubtful debts, net	**35,413**	**562**	**–**	**35,975**
Exchange (gain) loss, net	**(3,149)**	**(2)**	**6,174**	**3,023**
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	**93,952**	**5,599**	**5,325**	**104,876**

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

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

8. SEGMENT INFORMATION (continued)

Geographical Information

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

Information about major customers

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

9. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Government grant income *(note 41)*	**71,927**	50,054
Transportation fee income	**1,532**	4,654
Sales of scrap materials	**11,935**	7,297
Interest income on bank deposits	**8,456**	14,698
Rental income, net of outgoings *(note)*	**7,971**	7,025
Others	**–**	7,253
	101,821	90,981

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB3,210,000 (2016: RMB6,654,000).

10. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Exchange loss, net	**(3,023)**	(54,127)
Allowance for doubtful debts, net	**(35,975)**	(14,277)
Loss on disposal/write-off of property, plant and equipment	**(25,408)**	(1,453)
Loss on disposal of other intangible assets	**(218)**	–
Impairment loss on property, plant and equipment *(note 17)*	**–**	(21,605)
Increase (decrease) in fair value of investment properties	**3,330**	(580)
Impairment loss on investment in joint ventures *(note 23)*	**(20,031)**	(11,703)
Others	**–**	(869)
	(81,325)	(104,614)

11. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interests on bank borrowings wholly repayable within five years	**275,388**	224,105
Less: Interests capitalised	**–**	(1,681)
	275,388	222,424

Borrowing costs capitalised during the year ended 31 December 2016 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.47% (2017: nil) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**321,106**	160,619
Withholding tax paid	**15,245**	12,780
(Over)underprovision in prior years	**(2,538)**	1,256
Deferred tax *(note 31)*	**14,814**	4,709
	348,627	179,364

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% (2016: 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% (2016: 15%) in 2017.

12. INCOME TAX EXPENSE (continued)

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

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

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

	2017 RMB'000	2016 RMB'000
Profit before tax	**984,830**	330,322
Tax at the PRC EIT rate of 25% (2016: 25%)	**246,208**	82,580
Tax effect of expenses not deductible for tax purposes	**72,479**	68,069
Tax effect of different tax rates of subsidiaries	**3,816**	4,042
Tax effect of share of profits of joint ventures	**(834)**	(635)
Tax effect of share of profit of an associate	**(14)**	(28)
Effect of tax concessions granted to the PRC subsidiaries	**(4,703)**	(984)
(Over)underprovision in prior years	**(2,538)**	1,256
Tax effect of tax losses not recognised	**17,674**	11,773
Utilisation of tax losses previously not recognised	**(2,791)**	(1,849)
Deferred tax on undistributed earnings of the PRC subsidiaries	**4,085**	2,360
Withholding tax paid	**15,245**	12,780
Income tax expense for the year	**348,627**	179,364

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

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

13. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**818,126**	836,531
– Prepaid lease payments	**22,116**	21,888
– Quarry	**49,425**	16,528
– Other intangible assets	**1,462**	1,406
Total depreciation and amortisation	**891,129**	876,353
Less: Capitalised in inventories	**(843,904)**	(819,398)
	47,225	56,955
Auditors' remuneration	**4,445**	4,416
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**383,132**	349,505
Retirement benefits scheme contributions	**30,736**	30,009
Total staff costs	**413,868**	379,514
Less: Capitalised in inventories	**(304,945)**	(285,445)
	108,923	94,069
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB4,219,000 (2016: RMB4,337,000))	**5,905,183**	5,088,000
Rental payments under operating leases	**18,673**	39,460

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2016: twelve) directors were as follows:

Year ended 31 December 2017

	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	132	–	–	390
B) Executive directors					
Mr. Hsu, Shu-ping	212	–	–	–	212
Mr. Chang, Tsai-hsiung	206	–	–	–	206
Ms. Wu Ling-ling	344	–	–	–	344
Mr. Chang, Chen-kuen	332	980	–	–	1,312
Mr. Lin, Seng-chang	344	898	–	–	1,242
Dr. Wu, Chung-lih	344	1,387	–	–	1,731
C) Independent Non-executive directors					
Mr. Tsim, Tak-lung Dominic	258	–	–	–	258
Mr. Wang Wei	258	–	–	–	258
Mr. Lee Kao-chao	258	–	–	–	258
Dr. Wang Kuo-ming	258	–	–	–	258
	3,072	3,397	–	–	6,469

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)
Year ended 31 December 2016

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

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

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

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

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments were included in the disclosures in note (a) above. The emoluments of the remaining two (2016: two) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**1,975**	1,993

Their emoluments were within the following bands:

	2017	2016
HKD1,000,001 – HKD1,500,000	**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

	2017 RMB'000	2016 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2016 Final, paid – RMB3 cents (2016: 2015 final dividend RMB5 cents) per share	**47,006**	78,343

A final dividend for the year ended 31 December 2017 of RMB15.5 cents per share (2016: RMB3 cents per share) amounting to approximately RMB242,862,000 (2016: RMB47,006,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**602,377**	133,562
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,566,851

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

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 2016	4,155,915	11,654,086	363,862	457,027	1,443	364,758	16,997,091
Additions	10,988	2,322	7,585	4,112	–	47,483	72,490
Disposals/write-off	(88)	(12,590)	(12,394)	(60,383)	–	–	(85,455)
Transfer	62,361	338,088	2,284	716	–	(403,449)	–
At 31 December 2016	4,229,176	11,981,906	361,337	401,472	1,443	8,792	16,984,126
Additions	–	–	28,093	14,741	–	53,337	96,171
Disposals/write-off	(31,919)	(28,612)	(16,418)	(78,056)	(912)	–	(155,917)
Transfer	35,544	24,928	1,147	–	–	(61,619)	–
At 31 December 2017	**4,232,801**	**11,978,222**	**374,159**	**338,157**	**531**	**510**	**16,924,380**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2016	764,721	4,807,731	279,058	265,195	852	–	6,117,557
Provided for the year	123,156	666,573	23,650	22,967	185	–	836,531
Eliminated on disposals/write-off	(17)	(7,974)	(11,080)	(51,675)	–	–	(70,746)
Impairment loss recognised	12,768	8,409	157	271	–	–	21,605
At 31 December 2016	900,628	5,474,739	291,785	236,758	1,037	–	6,904,947
Provided for the year	123,720	648,520	22,424	23,409	53	–	818,126
Eliminated on disposals/write-off	(4,569)	(13,464)	(14,060)	(67,464)	(912)	–	(100,469)
At 31 December 2017	**1,019,779**	**6,109,795**	**300,149**	**192,703**	**178**	**–**	**7,622,604**
CARRYING VALUES							
At 31 December 2017	**3,213,022**	**5,868,427**	**74,010**	**145,454**	**353**	**510**	**9,301,776**
At 31 December 2016	3,328,548	6,507,167	69,552	164,714	406	8,792	10,079,179

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

Due to technical obsolescence in respect of the Group's certain property, plant and equipment during the year ended 31 December 2016, the carrying values of these property, plant and equipment were impaired and an impairment loss of RMB21,605,000 has been recognised (2017: nil).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2016	371,214
Additions	10,374
At 31 December 2016	381,588
Additions	839
Write-off	(28,700)
At 31 December 2017	**353,727**
AMORTISATION	
At 1 January 2016	114,738
Provided for the year	16,528
At 31 December 2016	131,266
Provided for the year	49,425
Write-off	(28,700)
At 31 December 2017	**151,991**
CARRYING VALUES	
At 31 December 2017	**201,736**
At 31 December 2016	250,322

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

During the year ended 31 December 2017, one of the excavation permit of the quarry held by Sichuan Langfeng Cement Co., Limited ("Sichuan Langfeng") was expired and the management of the Company determined not to renew it based on the consideration that the estimated benefits derived from continuously excavating the mine may not be recovered its cost. Due to the change of the period of the excavation permit of the quarry, an accelerated amortisation of RMB25,709,000 is recognised and charged to profit or loss for the year ended 31 December 2017.

Due to cessation of the production on that quarry, the management of the Group decided to write off the related costs and accumulated amortisation of that quarry amounting to RMB28,700,000 as at 31 December 2017.

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:

	2017 RMB'000	2016 RMB'000
Non-current assets	**719,487**	735,033
Current assets	**22,912**	23,279
	742,399	758,312

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 2017, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB267,319,000 (2016: approximately RMB285,327,000). The Group is currently in the process of obtaining these land use right certificates.

20. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2016	20,950
Decrease in fair value recognised in profit or loss	(580)
At 31 December 2016	20,370
Additions *(Note)*	36,691
Increase in fair value recognised in profit or loss	3,330
At 31 December 2017	**60,391**

Note: During the year ended 31 December 2017, the Group's PRC subsidiaries obtained three properties from their trade customers as full settlement of their trade balances and these properties were recognised as investment properties at their market value when the Group completed the property registration process.

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

The fair value of the Group's investment properties at 31 December 2017 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") and Savills Valuation and Professional Services, independent qualified professional valuers not connected with the Group (2016: DTZ). DTZ and Savills are members of the Taiwan Institute of Surveyors.

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 approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB32,140 (2016: RMB32,650) per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB16,500 per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB23,700 per square meter on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Commercial property units located in Wuhan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB17,730 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.

21. GOODWILL

	2017 RMB'000	2016 RMB'000
Balance at 31 December	**693,000**	693,000

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

	2017 RMB'000	2016 RMB'000
Wuhan Yaxin Cement Co., Ltd. (Wuhan Yaxin)	**138,759**	138,759
Sichuan Lanfeng Cement Co., Ltd. (Sichuan Lanfeng)	**554,241**	554,241
	693,000	693,000

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

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

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

The calculation of the recoverable amount of Wuhan Yaxin uses cash flow projections based on financial budgets approved by the management covering a 5-year period (2016: 5-year period) and discount rate of 10.7% per annum as at 31 December 2017 (2016: 10.4%). Cash flows beyond the 5-year ended (2016: 5-year period) are extrapolated using a steady 0% (2016: 0%) 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 the management covering a 5-year period (2016: 5-year period) and discount rate of 10.7% per annum as at 31 December 2017 (2016: 10.4%). Cash flows beyond the 5-year period (2016: 5-year period) are extrapolated using a steady 0% (2016: 0%) 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 changes 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 2016	779	19,779	13,746	34,304
Additions	–	–	1,199	1,199
At 31 December 2016	779	19,779	14,945	35,503
Additions	–	–	1,663	1,663
Disposal	–	–	(534)	(534)
At 31 December 2017	**779**	**19,779**	**16,074**	**36,632**
ACCUMULATED AMORTISATION				
At 1 January 2016	779	18,800	10,087	29,666
Provided for the year	–	293	1,113	1,406
At 31 December 2016	779	19,093	11,200	31,072
Provided for the year	–	294	1,168	1,462
Disposal	–	–	(316)	(316)
At 31 December 2017	**779**	**19,387**	**12,052**	**32,218**
CARRYING VALUES				
At 31 December 2017	**–**	**392**	**4,022**	**4,414**
At 31 December 2016	–	686	3,745	4,431

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

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

23. INTEREST IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investment in joint ventures	**59,059**	59,059
Share of post-acquisition profits and other comprehensive income, net of dividends received	**17,308**	17,230
Accumulated impairment loss on interest in a joint venture *(note 10)*	**(32,595)**	(12,564)
	43,772	63,725

At 31 December 2017 and 2016, 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 2017	2016	Proportion of voting rights held by the Group 2017	2016	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

	2017 RMB'000	2016 RMB'000
Current assets	**47,259**	27,081
Non-current assets	**53,131**	59,405
Current liabilities	**(20,166)**	(11,096)

23. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**22,755**	7,279
Revenue	**96,309**	64,185
Profit and total comprehensive income for the year	**7,420**	6,022
Dividends received from the joint venture during the year	**3,256**	1,456
The above profit for the year include the following: Depreciation and amortisation	**5,505**	5,027
Interest income	**64**	90
Interest expense	**–**	437
Income tax expense	**2,631**	2,236

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

	2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**80,224**	75,390
Proportion of the Group's ownership interest in Wuhan Asia	**50%**	50%
Carrying amount of the Group's interest in Wuhan Asia	**40,112**	37,695

Hubei Xinlongyuan

	2017 RMB'000	2016 RMB'000
Current assets	**7,991**	7,465
Non-current assets	**49,025**	50,532
Current liabilities	**(47,865)**	(43,000)

23. INTEREST IN JOINT VENTURES (continued)

Hubei Xinlongyuan (continued)

The above amounts of assets and liabilities include the following:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**810**	1,040
Current financial liabilities (excluding trade and other payables and provisions)	**(1,487)**	(1,713)
Revenue	**14,338**	6,352
Loss and total comprehensive expense for the year	**(940)**	(1,180)
Dividends received from the joint venture during the year	**–**	–
The above loss for the year include the following: Depreciation and amortisation	**3,043**	2,917
Interest income	**–**	–
Interest expense	**655**	479
Income tax expense	**(226)**	(354)

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

	2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**9,151**	14,997
Proportion of the Group's ownership interest in Hubei Xinlongyuan	**40%**	40%
Goodwill	**32,595**	32,595
Impairment loss *(Note)*	**(32,595)**	(12,564)
Carrying amount of the Group's interest in Hubei Xinlongyuan	**3,660**	26,030

Note: *During the year ended 31 December 2017, the Group recognised an impairment loss of RMB20,031,000 (2016: RMB11,703,000) in relation to goodwill arising on the interest in Hubei Xinlongyuan due to the recurring operating losses of that joint venture and the expected future cash flow decreased. As a result, the difference of recoverable amount, which is the value in use, and the carrying amount is recognised as an impairment loss and charged to profit or loss.*

24. INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Cost of unlisted investment in an associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**4,275**	5,021
	16,275	17,021

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

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
				2017	2016	2017	2016	
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.

Hubei Zhongjian

	2017 RMB'000	2016 RMB'000
Current assets	**63,574**	50,927
Non-current assets	**3,636**	2,786
Current liabilities	**(26,523)**	(11,162)
Revenue	**56,638**	33,436
Profit and total comprehensive income for the year	**136**	274
Dividends received from an associate during the year	**800**	800

24. INTEREST IN AN ASSOCIATE (continued)

Hubei Zhongjian (continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of the associate	40,687	42,551
Proportion of the Group's ownership interest in Hubei Zhongjian	40%	40%
Carrying amount of the Group's interest in Hubei Zhongjian	16,275	17,021

25. INVENTORIES

	2017 RMB'000	2016 RMB'000
Spare parts and ancillary materials	284,737	310,174
Raw materials	280,404	251,461
Work in progress	79,034	120,714
Finished goods	83,331	85,469
	727,506	767,818

26. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	1,079,847	1,230,734
Less: Allowance for doubtful debts	(162,179)	(127,283)
	917,668	1,103,451
Bill receivables	1,671,217	739,751
	2,588,885	1,843,202
Other receivables	35,793	46,967
	2,624,678	1,890,169
Advances to suppliers	272,279	102,071
Deposits	19,859	21,713
Prepayments	2,165	1,687
Value-added tax recoverable	41,025	23,936
	2,960,006	2,039,576

26. TRADE AND OTHER RECEIVABLES (continued)

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

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

	Cements		Concrete		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
0–90 days	366,490	370,863	104,781	121,055	471,271	491,918
91–180 days	92,224	73,681	34,449	80,346	126,673	154,027
181–365 days	38,234	92,425	92,284	98,053	130,518	190,478
Over 365 days	114,402	152,069	74,804	114,959	189,206	267,028
	611,350	689,038	306,318	414,413	917,668	1,103,451

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

	Cements		Concrete		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
0–90 days	1,164,821	592,256	10,503	6,734	1,175,324	598,990
91–180 days	483,597	106,117	6,100	1,900	489,697	108,017
181–365 days	6,196	32,744	–	–	6,196	32,744
	1,654,614	731,117	16,603	8,634	1,671,217	739,751

Before accepting any new customers, 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 76% (2016: 61%) of the trade receivables as at 31 December 2017 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 aggregate carrying amount of approximately RMB143,292,000 (2016: approximately RMB332,103,000) and RMB74,804,000 (2016: RMB114,959,000) 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 those balances as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

26. TRADE AND OTHER RECEIVABLES (continued)

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

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

	Cements		Concrete		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
91–180 days	**–**	5,841	**–**	–	**–**	5,841
181–365 days	**29,110**	152,851	**–**	–	**29,110**	152,851
Over 365 days	**114,182**	173,411	**74,804**	114,959	**188,986**	288,370
Total	**143,292**	332,103	**74,804**	114,959	**218,096**	447,062

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

	Other receivables		Trade receivables	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Balance at beginning of year	**–**	2,332	**127,283**	139,676
Additions	**–**	–	**50,957**	33,263
Reversal	**–**	(775)	**(14,982)**	(18,986)
Written off	**–**	(1,557)	**(1,079)**	(26,670)
	–	–	**162,179**	127,283

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

(a) Amount due from an associate

	2017 RMB'000	2016 RMB'000
Hubei Zhongjian (trade related)	**6,153**	3,752

The amounts as at 31 December 2017 and 2016 were unsecured, non-interest bearing and aged within the credit term of 90 days.

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

(b) Amount due from a joint venture

	2017 RMB'000	2016 RMB'000
Hubei Xinlongyuan		
– trade related *(note 1)*	**10,781**	465
– non-trade related *(note 2)*	**38,500**	40,000
	49,281	40,465

Note 1: The amount as at 31 December 2017 and 2016 was unsecured, non-interest bearing and aged within the credit term of 90 days.

Note 2: The amount as at 31 December 2017 and 2016 was unsecured, non-interest bearing and repayable on demand.

(c) Amounts due to joint ventures

	2017 RMB'000	2016 RMB'000
Wuhan Asia (trade related)	**15,417**	13,479
Hubei Xinlongyuan (trade related)	**8,799**	–
	24,216	13,479

The amounts as at 31 December 2017 and 2016 were unsecured, non-interest bearing and aged within the credit term of 90 days.

(d) Loans to related companies

	2017 RMB'000	2016 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	**431,900**	431,593
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	**114,699**	45,090
	546,599	476,683

On 15 May 2014, the Company and FENC entered two new agreements and agreed to make available principal sums of USD30,000,000 and USD38,000,000 (the "Loans 1") to FENC, of which USD63,867,000 (equivalent to RMB396,633,000) have been drawn down by FENC as at 31 December 2014. FENC is a wholly-owned subsidiary of Far Eastern New Century Corporation ("FENCC") and is principally engaged in the business of investment. The Company is related to FENC as FENCC holds 28.79% equity interest in Asia Cement Corporation. According to the terms of the loan agreements, (i) the Loans 1 principal amount of USD30,000,000 and USD38,000,000 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 loan was interest free. On 3 June 2015, FENC repaid the Loans 1.

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

(d) Loans to related companies (continued)

On 27 May 2015, the Company and FENC entered new agreement and agreed to make available principal sums of USD38,000,000 (the "Loan 2") to FENC, of which USD34,200,000 (equivalent to RMB222,081,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreements, (i) the Loan 2 principal amount of USD38,000,000 shall be repaid in full on or before 26 May 2016 (the "Repayment Date 2)"; or (ii) FENC may repay the Loan 2 or any part of the Loan 2 at any time before the Repayment Date 2. The loan was interest free. During the year ended 31 December 2016, FENC fully repaid the Loan 2.

On 1 June 2015, the Company and FENC entered new agreement and agreed to make available principal sums of USD30,000,000 (the "Loan 3") to FENC, of which USD29,667,000 (equivalent to RMB192,646,000) have been drawn down by FENC as at 31 December 2015. According to the terms of the loan agreement, (i) the Loan 3 principal amount of USD30,000,000 shall be repaid in full on or before 31 May 2016 (the "Repayment Date 3"); or (ii) FENC may repay the Loan 3 or any part of the Loan 3 at any time before the Repayment Date 3. The loan was interest free. On 27 May 2016, FENC fully repaid the Loan 3.

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

On 29 April 2016, the Company agreed to make available an aggregate principal sum of USD3,072,895 (equivalent to RMB21,317,000) (the "Loan 5") to FENC, of which the whole balance have been drawn down by FENC on 25 May 2016. According to the terms of the loan agreement, (i) the Loan 5 principal amount of USD3,072,895 (equivalent to RMB21,317,000) shall be repaid in full on or before 24 May 2017 (the "Repayment Date 5"); or (ii) FENC may repay the Loan 5 or any part of the Loan 5 at any time before the Repayment Date 5. The loan was interest free. On 25 November 2016, FENC repaid the Loan 5.

On 29 April 2016, the Company agreed to make available an aggregate principal sum of USD30,000,000 (equivalent to RMB208,110,000) (the "Loan 6") to FENC, of which USD29,667,000 (equivalent to RMB205,800,000) have been drawn down by FENC on 26 May 2016. According to the terms of the loan agreement, (i) the Loan 6 principal amount of USD30,000,000 (equivalent to RMB208,110,000) shall be repaid in full on or before 25 May 2017 (the "Repayment Date 6"); or (ii) FENC may repay the Loan or any part of the Loan 6 at any time before the Repayment Date 6. The loan was interest free. On 25 November 2016, FENC repaid USD28,586,667 (equivalent to RMB198,307,000) of the Loan 6. On 16 May 2017, FENC repaid the Loan 6.

On 1 November 2016, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 7") to FENC, of which the whole balance have been drawn down by FENC on 24 November 2016. According to the terms of the loan agreement, (i) the Loan 7 principal amount of RMB219,100,000 shall be repaid in full on or before 23 November 2017 (the "Repayment Date 7"); or (ii) FENC may repay the Loan 7 or any part of the Loan 7 at any time before the Repayment Date 7. The loan was interest free. On 22 November 2017, FENC repaid the Loan 7.

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

(d) Loans to related companies (continued)

On 1 April 2017, the Company agreed to make available an aggregate principal sum of RMB205,000,000 (the "Loan 8") to FENC, of which the whole balance have been drawn down by FENC on 9 May 2017. According to the terms of the loan agreement, (i) the Loan 8 principal amount of RMB205,000,000 shall be repaid in full on or before 8 May 2018 (the "Repayment Date 8"); or (ii) FENC may repay the Loan or any part of the Loan 8 at any time before the Repayment Date 8. The loan was interest free.

On 1 April 2017, the Company agreed to make available an aggregate principal sum of RMB7,800,000 (the "Loan 9") to FENC, of which the whole balance have been drawn down by FENC on 12 May 2017. According to the terms of the loan agreement, (i) the Loan 9 principal amount of RMB7,800,000 shall be repaid in full on or before 11 May 2018 (the "Repayment Date 9"); or (ii) FENC may repay the Loan or any part of the Loan 9 at any time before the Repayment Date 9. The loan was interest free.

On 18 October 2017, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 10") to FENC, of which the whole balance have been drawn down by FENC on 20 November 2017. According to the terms of the loan agreement, (i) the Loan 10 principal amount of RMB219,100,000 shall be repaid in full on or before 19 November 2018 (the "Repayment Date 10"); or (ii) FENC may repay the Loan or any part of the Loan 10 at any time before the Repayment Date 10. The loan was interest free.

Pursuant to a loan agreement, the Company agreed to make available an aggregate principal sum of USD6,500,000 (the "Loan 11") to Yuan Ding, of which USD6,500,000 (equivalent to RMB40,367,000) have been drawn down by Yuan Ding as at 31 December 2014. Yuan Ding is a wholly-owned subsidiary of FENC. According to the terms of the loan agreement, (i) the Loan 8 principal amount of USD6,500,000 shall be repaid in full on or before 4 November 2015 (the "Repayment Date 11"); or (ii) Yuan Ding may repay the Loan 11 at a time later than the Repayment Date 11, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 11 or any part of the Loan at any time before the Repayment Date 11. The loan was interest free. On 5 November 2015, Yuan Ding repaid the Loan 11.

On 2 November 2015, the Company agreed to make available an aggregate principal sum of USD6,500,000 (the "Loan 12") to Yuan Ding, of which USD6,500,000 (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 12 principal amount of USD6,500,000 shall be repaid in full on or before 1 November 2016 (the "Repayment Date 12"); or (ii) Yuan Ding may repay the Loan 12 at a time later than the Repayment Date 12, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 12 or any part of the Loan at any time before the Repayment Date 12. The loan was interest free. On 27 October 2016, Yuan Ding repaid the Loan 12.

On 27 October 2016, the Company agreed to make available an aggregate principal sum of USD6,500,000 (the "Loan 13") to Yuan Ding, of which USD6,500,000 (equivalent to RMB45,090,000) have been drawn down by Yuan Ding as at 31 December 2016. According to the terms of the loan agreement, (i) the Loan 13 principal amount of USD6,500,000 shall be repaid in full on or before 26 October 2017 (the "Repayment Date 13"); or (ii) Yuan Ding may repay the Loan 13 at a time later than the Repayment Date 13, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 13 or any part of the Loan at any time before the Repayment Date 13. The loan was interest free. On 20 January 2017, Yuan Ding repaid the Loan 13.

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

(d) Loans to related companies (continued)

On 24 November 2016, the Company agreed to make available an aggregate principal sum of RMB45,000,000 (the "Loan 14") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 18 January 2017. According to the terms of the loan agreement, (i) the Loan 14 principal amount of RMB44,699,000 shall be repaid in full on or before 17 January 2018 (the "Repayment Date 14"); or (ii) Yuan Ding may repay the Loan 14 at a time later than the Repayment Date 14, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 14 or any part of the Loan at any time before the Repayment Date 14. The loan was interest free.

On 1 December 2016, the Company agreed to make available an aggregate principal sum of RMB70,000,000 (the "Loan 15") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 23 January 2017. According to the terms of the loan agreement, (i) the Loan 15 principal amount of RMB70,000,000 shall be repaid in full on or before 24 January 2018 (the "Repayment Date 15"); or (ii) Yuan Ding may repay the Loan 15 at a time later than the Repayment Date 15, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 15 or any part of the Loan at any time before the Repayment Date 15. The loan was interest free.

28. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 1.96% (2016: 0.01% to 1.35%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB319,518,000 (2016: RMB164,166,000) and approximately RMB656,751,000 (2016: RMB403,148,000), 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 the PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2017, RMB30,410,000 (2016: RMB29,758,000) 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 2017 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

As at 31 December 2017, the remaining deposits in its own bank account amounting to RMB6,548,000 (2016: RMB5,108,000) have been restricted by banks for withdrawal as overseas purchase security which will be released within one year and therefore are classified as current assets.

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

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

	2017 RMB'000	2016 RMB'000
Denominated in USD	**21,203**	12,155
Denominated in HKD	**1,526**	324
Denominated in SGD	**844**	1,228

29. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**381,133**	450,216
Accruals	**107,898**	94,945
Advances from customers	**141,605**	126,320
Staff wages and welfare payable	**62,080**	50,818
Value added tax payable	**132,621**	50,305
Construction cost payable	**26,246**	59,201
Other tax payable	**15,998**	14,498
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**70,829**	50,097
	1,011,148	969,138

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

	2017 RMB'000	2016 RMB'000
0–90 days	**349,918**	389,291
91–180 days	**9,768**	27,878
181–365 days	**7,556**	20,268
Over 365 days	**13,891**	12,779
	381,133	450,216

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

30. BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank borrowings – unsecured	**4,903,359**	5,191,497

The carrying amounts of borrowings are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**2,991,361**	1,928,934
Within a period of more than one year but not exceeding two years	**1,911,998**	3,262,563
	4,903,359	5,191,497
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(2,991,361)**	(1,928,934)
Amounts due for settlement after 12 months	**1,911,998**	3,262,563

The borrowings carrying variable interest rates with reference to the Benchmark Rate for RMB borrowings or the HIBOR for RMB borrowings (2016: Benchmark Rate for RMB borrowings, or the HIBOR for RMB borrowings) are as follows:

	2017		2016	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Variable-rate borrowings	**4,903,359**	**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%**	5,191,497	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.25%

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 4.13% to 5.70% (2016: 3.78% to 13.5%) per annum. Interest is repriced quarterly.

31. DEFERRED TAX

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

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(18,336)	(2,569)	26,403	38,928	(2,192)	9,127	51,361
Withholding tax paid	–	–	–	–	12,780	–	12,780
Credit (charge) to profit or loss	843	221	3,569	(10,759)	(15,140)	3,777	(17,489)
At 31 December 2016	(17,493)	(2,348)	29,972	28,169	(4,552)	12,904	46,652
Withholding tax paid	–	–	–	–	15,245	–	15,245
Credit (charge) to profit or loss	557	221	8,994	(24,141)	(19,330)	3,640	30,059
At 31 December 2017	**(16,936)**	**(2,127)**	**38,966**	**4,028**	**(8,637)**	**16,544**	**31,838**

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:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**57,474**	68,979
Deferred tax liabilities	**(25,636)**	(22,327)
	31,838	46,652

At 31 December 2017, the Group has unused tax losses of approximately RMB201,628,000 (2016: RMB238,660,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB16,112,000 (2016: RMB112,676,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB185,516,000 (2016: RMB125,984,000) due to the unpredictability of future profit stream. As at 31 December 2017, the tax losses of RMB5,589,000, RMB10,089,000, RMB33,838,000, RMB130,233,000 and RMB21,879,000 will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

31. DEFERRED TAX (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2017, deferred tax liability has been provided in respect of RMB172,740,000 (2016: RMB91,040,000) 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 2017, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, joint ventures and an associate in respect of which deferred tax liability has not been provided for were approximately RMB5,485,000,000 (2016: RMB4,748,000,000), RMB38,180,000 (2016: RMB34,121,000) and RMB9,025,000 (2016: RMB10,923,000), respectively.

32. LONG TERM RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Receivables from		
武漢市新洲區人民政府 (the "Wuhan City Government") *(note a)*	–	8,380
彭州市人民政府 (the "Pengzhou City Government") *(note b)*	–	17,573
	–	25,953
Less: Amounts due within one year	–	(25,953)
Amounts due after one year	–	–

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, RMB2 million was received in cash (2016: nil). As at 31 December 2017, the outstanding balance is nil (2016: RMB2 million).

(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, RMB4.4 million was received in cash (2016: nil). As at 31 December 2017, the outstanding balance is nil (2016: RMB4.4 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 2017, the indemnity in respect of the above advances undertaken by Asia Cement is nil (2016: RMB1.5 million).

32. LONG TERM RECEIVABLES (continued)

Notes: (continued)

a. (continued)

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

During the current year, RMB2 million was received in cash (2016: RMB2 million). As at 31 December 2017, the outstanding balance is nil (2016: RMB2 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-interest bearing and repayable based on the contractual payment plan signed in 2010, which was then superseded by another payment plan negotiated and signed in December 2012 ("2012 Contractual Payment Plan"), with the Pengzhou City Government. Pursuant to the 2012 Contractual Payment Plan, the Pengzhou City Government encountered problems for compensating the citizens for re-location, Sichuan Yadong advanced additional non-interest bearing funds of RMB25 millions to the Pengzhou City Government during the year ended 31 December 2013. According to the 2012 Contractual Payment Plan, RMB17 million will be repaid by the Pengzhou City ernment for the year ended 31 December 2017.

During the current year, RMB17 million was received in cash (2016: nil). As at 31 December 2017, the outstanding balance is nil (2016: RMB17 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 2015.

During the current year, RMB0.57 million was received in cash. As at 31 December 2017, the outstanding balance is nil (2016: RMB0.57 million).

33. LONG TERM PREPAID RENTAL

	2017 RMB'000	2016 RMB'000
Prepaid rental to		
Yangzhou No. 2 Power Plant Company Limited		
(the " Yangzhou No. 2 Power Plant") *(note a)*	**134**	3,382
Taizhou Yongan Port Co., Ltd. *(note b)*	**24,000**	26,000
	24,134	29,382
Less: Amounts due within one year		
(included in trade and other receivables)	**(2,134)**	(5,099)
Amounts due after one year	**22,000**	24,283

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, RMB3.3 million (2016: RMB2.8 million) has been utilised through offsetting the rental expenses and the outstanding prepaid balance as at 31 December 2017 is RMB0.1 million (2016: RMB3.4 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 2017, the outstanding prepaid balance is RMB24 million (2016: RMB26 million).

34. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
Balance at 1 January 2016	18,214
Provision for the year	4,337
Balance at 31 December 2016	22,551
Provision for the year	4,219
Balance at 31 December 2017	**26,770**

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

35. SHARE CAPITAL

	Number of shares	Amount HKD'000	Shown in the financial statements as RMB'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,566,851,000	156,685	140,390

36. OPERATING LEASES

The Group as lessee

	2017 RMB'000	2016 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**13,066**	36,078
Contingent rents paid/payable under operating leases during the year *(note)*	**5,607**	3,382
	18,673	39,460

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

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

	2017 RMB'000	2016 RMB'000
Within one year	**28,824**	22,861
In the second to fifth years inclusive	**87,868**	83,162
After five years	**565,073**	584,377
	681,765	690,400

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.

36. OPERATING LEASES (continued)

The Group as lessor

Gross rental income earned was RMB11,181,000 and RMB13,679,000 for the years ended 31 December 2017 and 2016, respectively. The Group leases its plant, property and machinery under operating lease arrangements. The properties are expected to generate rental yields of based on the cost on an ongoing basis.

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

	2017 RMB'000	2016 RMB'000
Within one year	**431**	4,633
In the second to fifth years inclusive	**1,625**	–
	2,056	4,633

37. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**9,625**	23,433
Land use rights	**–**	1,877
Mining rights	**512**	1,066
Capital expenditure in respect of establishment of a joint venture *(note)*	**500,000**	500,000
	510,137	526,376

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%. During the year ended 31 December 2017, the Development Project has commenced its foundation work and the Joint Venture Company is yet to be established.

38. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

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

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HKD26,202,000 (equivalent to approximately RMB23,549,000). For the years ended 31 December 2017 and 2016, no options remained outstanding under Pre-IPO Share Option Scheme.

(b) Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 27 April 2008 (the "Share Option Scheme"), the Directors may invite the 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 2017 and 2016, no options have been granted under the Share Option Scheme.

39. RETIREMENT BENEFITS SCHEME

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

The total expense charged to profit or loss of approximately RMB30,736,000 (2016: approximately RMB30,009,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2017, contributions of RMB1,255,000 (2016: RMB1,250,000) as at 31 December 2017 have not been paid over to the schemes.

40. RELATED PARTY TRANSACTIONS

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

	2017 RMB'000	2016 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**96,118**	63,774
Hubei Xinlongyuan		
– Sales of materials	**–**	303
– Purchase of goods	**9,604**	–
Associate:		
Hubei Zhongjian		
– Sales of goods	**10,297**	4,275
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	**35,827**	43,210

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**6,469**	5,825
Retirement benefits scheme contributions	**–**	–
	6,469	5,825

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

41. GOVERNMENT GRANTS INCOME

	2017 RMB'000	2016 RMB'000
Incentive subsidies *(note a)*	**2,654**	3,363
Value-added tax refund *(note b)*	**64,719**	42,478
Others *(note c)*	**4,554**	4,213
	71,927	50,054

Notes:

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

b. *Certain PRC subsidiaries of the Group received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted quarterly when the total reusable materials consumed were more than 20% or 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 being obtained from the relevant PRC authority.*

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

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	As at 1 January 2017 RMB'000	Financing cash flow RMB'000	Non-cash changes Dividend declared RMB'000	Other changes RMB'000	As at 31 December 2017 RMB'000
Borrowings *(Note 30)*	5,191,497	(288,138)	–	–	**4,903,359**
Accured interests	–	(275,388)	–	275,388	**–**
Dividend payable to shareholders	–	(60,967)	60,967	–	**–**
	5,191,497	(624,493)	60,967	275,388	**4,903,359**

(i) *The cash flows from borrowings make up the net amount of new borrowings raised and repayments of borrowings in the consolidated statement of cash flows.*

43. 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		Proportion of voting power held by the company		Principal activities
				2017	2016	**2017**	2016	
*Perfect Industrial Holdings Pte., Ltd.	British Virgin Islands	Ordinary	USD9,379,303	**100%**	100%	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	USD764,262,651	**99.99%**	99.99%	**100%**	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	USD288,846,900	**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	USD15,000,000	**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	USD356,104,433	**95%**	95%	**92%**	92%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	USD36,140,000	**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	USD130,407,000	**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

43. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2017	2016	2017	2016	
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	**72.49%**	72.49%	**75%**	75%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.	PRC	Ordinary	USD154,800,000	**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	USD368,340,000	**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	USD4,100,000	**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	USD86,170,000	**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	USD3,500,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services

43. 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 2017	2016	Proportion of voting power held by the company 2017	2016	Principal activities
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	USD35,530,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	USD3,300,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3]	PRC	Ordinary	RMB90,000,000	**89.99%**	89.99%	**83%**	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co.,Ltd.[2]	PRC	Ordinary	USD16,000,000	**99.99%**	99.99%	**100%**	100%	Sale and storage of cement product
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.

43. SUBSIDIARIES (continued)

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

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

Name of subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting right held by non-non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	5%	5%	8%	8%	30,615	15,115	226,891	208,114
Individually immaterial subsidiaries with non-controlling interests						3,211	2,281	73,561	72,473
						33,826	17,396	300,452	280,587

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.

	2017 RMB'000	2016 RMB'000
Current assets	2,283,572	1,601,207
Non-current assets	3,559,485	3,814,662
Current liabilities	(1,289,174)	(1,239,858)
Non-current liabilities	(16,068)	(13,731)
Equity attributable to owners of the Company	4,310,924	3,954,166
Non-controlling interests	226,891	208,114
Revenue	3,521,660	2,654,022
Expenses	(2,909,376)	(2,352,323)
Profit for the year	612,284	301,699
Profit attributable to owners of the Company	581,669	286,584
Profit attributable to the non-controlling interests	30,615	15,115
Dividends paid to non-controlling interests	11,861	2,428
Net cash inflow from operating activities	406,063	699,280
Net cash inflow (outflow) from investing activities	133,469	(490,557)
Net cash outflow from financing activities	(425,990)	(369,703)
Net cash inflow (outflow)	113,542	(160,980)

44. 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:

	2017 **RMB'000**	2016 RMB'000
Unlisted investments in subsidiaries	**7,731,182**	7,731,182
Amounts due from subsidiaries	**546,599**	616,977
Bank balances	**4,646**	673
Other receivables	**–**	1,061
Total assets	**8,282,427**	8,349,893
Borrowings	**3,446,770**	3,508,061
Other payables	**12,918**	9,878
Total liabilities	**3,459,688**	3,517,939
Net assets	**4,822,739**	4,831,954
Share capital *(note 35)*	**140,390**	140,390
Reserves *(Note)*	**4,682,349**	4,691,564
Total equity	**4,822,739**	4,831,954

Note:

Reserves

	Distributable reserves RMB'000 *(note a)*	**Other reserve** RMB'000	**Total** RMB'000
At 1 January 2016	2,609,369	2,073,316	4,682,685
Profits for the year and total comprehensive income for the year	87,222	–	87,222
Dividends recognised as distribution *(note 15)*	(78,343)	–	(78,343)
At 31 December 2016	2,618,248	2,073,316	4,691,564
Profits for the year and total comprehensive income for the year	37,791	–	37,791
Dividends recognised as distribution *(note 15)*	(47,006)	–	(47,006)
At 31 December 2017	**2,609,033**	**2,073,316**	**4,682,349**

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

Financial Summary

RESULTS

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	7,330,818	8,193,716	6,391,165	6,338,152	**7,815,527**
Profit (loss) before tax	1,109,024	1,091,108	(247,335)	330,322	**984,830**
Income tax expense	(262,720)	(278,128)	(45,375)	(179,364)	**(348,627)**
Profit (loss) for the year	846,304	812,980	(292,710)	150,958	**636,203**
Attributable to:					
Owners of the Company	823,010	790,313	(299,123)	133,562	**602,377**
Non-controlling interests	23,294	22,667	6,413	17,396	**33,826**
	846,304	812,980	(292,710)	150,958	**636,203**

ASSETS AND LIABILITIES

	At 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	17,361,715	20,022,989	17,627,180	15,902,155	**16,409,987**
Total liabilities	7,883,892	9,917,855	8,056,254	6,267,007	**6,199,603**
	9,477,823	10,105,134	9,570,926	9,635,148	**10,210,384**
Equity attributable to:					
Owners of the Company	9,235,349	9,830,617	9,299,342	9,354,561	**9,909,932**
Non-controlling interests	242,474	274,517	271,584	280,587	**300,452**
	9,477,823	10,105,134	9,570,926	9,635,148	**10,210,384**