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 2018

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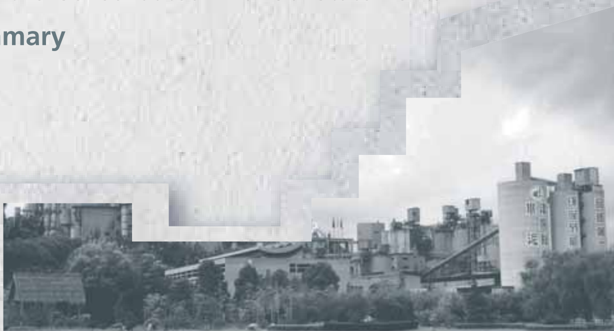

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. HO Siu Pik

AUTHORIZED REPRESENTATIVES

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

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF INDEPENDENCE COMMITTEE

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

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

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STOCK CODE

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COMPANY WEBSITE

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CONTACT DETAILS

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Financial Highlights

	Notes	2018 RMB'000	2017 RMB'000
Revenue		**11,330,347**	7,815,527
Gross profit		**4,386,415**	1,910,344
Profit for the year		**2,500,790**	636,203
Profit attributable to owners of the Company		**2,420,839**	602,377
Gross profit margin		**39%**	24%
Earning per share			
— Basic		**RMB1.545**	RMB0.384
Total assets		**20,722,346**	16,409,987
Net assets		**12,442,346**	10,210,384
Liquidity and Gearing			
Current ratio	*1*	**2.58**	1.24
Quick ratio	*2*	**2.40**	1.07
Gearing ratio	*3*	**0.40**	0.38

Notes:

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

CHAIRMAN'S STATEMENT

HSU, Shu-tong
Chairman

To our shareholders,

In the face of a complicated international environment, an uncertain financial market, drastic commodity price fluctuations and rising China-United States trade tensions, the economy of China remained stable despite some changes; the GDP growth rate for the year had slowed down to 6.6%. With regard to domestic investment, fixed assets investment in 2018 increased by 5.9% year on year, which reflected a declining growth rate. Infrastructure investment, on the other hand, increased by only 3.8% from that of 2017; when compared to a double digit growth rate in the past years, the investment strength had significantly weakened. In contrast, the property market showed better momentum in 2018, with a growth rate of 9.5% in property development investment, which surpassed that of 2017; the sales of commodity housing increased by 12.2%, which basically remained at the previous year's level. Amid weakened infrastructure investment but stable property development investment, the cement output in 2018 reached 2.21 billion tonnes. However, cement demand was undoubtedly slowly declining.

Chairman's Statement

Although the cement demand in China softened, the supply-side structural reform was deepened in the industry. The complete ban of 32.5 portland composite cement had been put on the agenda; this coupled with restriction on newly added capacity, stringent control over capacity replacement, and continued implementation of measures such as production restrictions for environmental protection and off-peak season production ensured the sound relationship between market supply and demand. Cement prices rose steadily throughout the year, and the industry recorded satisfactory profits. It is worth noting that in order to adapt to the new requirements for economic development, and to guide orderly industrial transfer between regions for facilitation of industrial transformation and upgrade, the Ministry of Industry and Information Technology intends to make substantial adjustment to the cement sectors of certain provinces, which will no longer undertake industrial transfer or gradually phase out their cement industry. In view of the promulgation of the new industrial policies, the production bases and market network planning of the cement enterprises in China must adapt to the new situation in future.

As the economic and industrial environments keep changing, enterprises should be aware that they need to and be able to adapt to the changes. As such, Asia Cement (China) strives to formulate its future development strategy with a new blueprint, focusing on supply chain management and business model optimization. Along the supply chain, Asia Cement (China) would play an integral role, guiding the cement building materials supply chain towards a healthy development, strengthening cooperation with other upstream and downstream enterprises to build a solid partnership. With respect to business model, the Group would shift its focus from regional markets to the national market, and promote digital management practices, diversified production, transportation and sales models, differentiation of products and services, and continuous innovation of production technology. To Asia Cement (China), it is extremely important to create new values, actively implement the projects of green mines, ultra-low emissions and using cement kilns to treat solid wastes. This is to fulfill our corporate social responsibilities by helping cities to realise their vision for a beautiful landscape.

Asia Cement (China) has always upheld its philosophy of orderly management. Concepts, technologies and capabilities are at the forefront of the industry development; the Group can accurately grasp the external environment conditions and adjust to the right operating model to ensure that it maintains competitiveness in the industry. The southeast, central China and southwest regions, being the three major markets where the Company operated, achieved excellent performance in 2018. Both revenue and profits increased significantly when compared with those of the previous year, while the Company achieved the best overall operating results in recent years. Asia Cement (China) is currently one of the top 10 cement and clinker producers in China. Moreover, due to the substantial progress made by the strategic investment of the Company's Taiwan parent company – Asia Cement in Shanshui Cement, Asia Cement (China), the Company will, in future, have the opportunities to further expand its cement business and enhance its comprehensive capabilities, moving toward its goal to become a large-scale, quality cement company.

2019 will see a more severe external environment, while the economic growth of China may slow down; a certain degree of infrastructure investment strength may still remain, but the outlook for property investment is not so optimistic, and the demand for cement will definitely decrease. Regulation of the supply side will continue; enforcement of environmental regulations will tighten, while the period for implementing off-peak season suspended production by cement enterprises will be extended; differentiation in off-peak season production may drive cement enterprises to increase investment in environmental protection measures, but the impact on cement supply has yet to be observed. The trend that powerful cement companies always remain powerful is still prevalent; industry consolidation accelerates, and industry concentration will continue to rise. In 2018, China's cement price and profits both hit record highs, while the inventory level was at historic low levels. If the measures to eliminate production capacities and quantities continued to be implemented, such will help reduce the risk of the cement industry in decline in 2019. It is unlikely that the overall cement price will drastically decrease in 2019. The cement price throughout the year is expected to fluctuate within a reasonable range, and the profitability outlook is cautiously optimistic.

2018 is a successful year for Asia Cement (China). Despite the outstanding performance, Asia Cement (China) is still pragmatic and requires its management team to be more humble and not to be contented easily, be self-motivated, and to remain alert and have the courage to be held accountable. It is necessary to observe the macro economic development trends, take the new economic pulse, plan for the growth prospects and accelerate the pace and intensity of reform. This is because only high quality enterprises will last in a competitive industry. We are confident that the long-term outlook for China's economy will remain bright. The cement industry still has sufficient potential for development in future. The Group will definitely capitalize on the momentum of the fast changing era and will continue to expand, in order to create better results for our staff, shareholders and society.

VICE CHAIRMAN'S STATEMENT

HSU, Shu-ping
Vice Chairman

In 2018, Asia Cement (China) implemented the Group's development strategies and business targets, and achieved outstanding results in operation management and corporate development. Compared with the relevant financial guidance of other listed companies in the cement industry, the Group had moved up from the 6th to the 3rd position. The revenue and profits had both increased from those of the previous year, and the operating results had reached record high.

The development trend of the industry in 2018 was: on the one hand, with the implementation and promotion of environmental protection policies such as energy saving and emission reduction, off-peak season production and mine reclamation, cement production capacity utilization had been restricted; on the other hand, national infrastructure investment had substantially decreased, and cement market demand declined when compared to 2017. However, the rapid growth in new housing construction and rural demand generated by poverty alleviation had offset the impact of the decline in infrastructure investment. All the aforesaid coupled with the significant improvement in the industry self-discipline led to substantial improvement in the overall supply-demand relationship in the cement market, and cement prices hit record highs. As a result of various factors, the profit of the entire industry for the year had reached a historic high.

Vice Chairman's Statement

The improvement in the Group's operating results was not only attributable to the overall development of the industry, but more importantly, also the Group's dedication to the promotion of management optimisation and innovative mechanism since 2016, which had improved the Group's operating standards. By focusing on operation management – the crux of a company, the Group implemented lean management across the board, with the aim to improve efficiency and profitability. With emphasis on lean manufacturing, lean cost management and lean marketing, the Group pushed ahead with diversified corporate lean management practices and extended lean process improvement concepts and methods to the Group's production, operation, management, services and other aspects. The Group implemented all-factors control over production costs to reduce costs and increase efficiency, thereby achieving cost advantages. The Group strengthened internal management to lay a solid foundation for management; and further streamlined management process, strengthened process control, and standardized management practice. All this was to establish a comprehensive management system. The Group also focused on mechanism innovation and further drove internal corporate growth. Through improving market competitiveness and actively exploring new profit drivers, the Group enhanced its sustainable development ability. The Group paid high regard to performance appraisal; through performance management, the Group incorporated lean requirements in different aspects covered by the appraisal to realize the combination of process management and results evaluation, and to ensure the realization of lean management targets. The Group further utilized information technology to achieve more accurate monitoring, analysis, prediction and early warning of business operations, which facilitated the deep integration of informationisation and lean management. The commencement of the aforesaid various tasks had improved the quality and efficiency of the Group's operations, and had continuously enhanced corporate management in different aspects/diversity management and market competitiveness, creating a favourable situation of increasing economic efficiency.

Continued deepening of the supply-side structural reforms in the cement industry help propel the cement industry in China to a new era of high-quality and high-end development. However, while the profitability of the cement industry increased substantially, we have to be well aware of who benefits from the growth in the industry profits; is such growth sustainable, stable, backed by strong support? The cement industry still faces with problems such as excessive capacity, low industry concentration, irrational planning for market network optimisation, and insufficient innovation capability; what are the solutions to these problems? Statistics show that market demand continues to decline and the situation of the property industry is severe; how will the situation of insufficient support for demand be dealt with? All these problems must be faced and addressed by the industry as a whole.

The economic work conference at the end of 2018 has clearly stated that the focus of infrastructure is no longer on the property sector, but intercity transportation, logistics, municipal infrastructure facilities, and construction of new type of infrastructure such as 5G, artificial intelligence, and Industrial Internet. Facing a new future situation, the sustainable development of the cement industry is mainly determined by the continuous optimisation of the industry structure and constant improvement of innovation capabilities. At the current stage, adjustment and improvement in the structure of the cement industry, acceleration of the shoring up of weakness, and exploration and creation of new demand will help escalate transformation and upgrade, which will enable the industry to develop the ability to achieve sustainable profits. The five main indicators of industrial restructuring, namely elimination and reduction of severe excessive capacity, enhancement of industry concentration, market network optimisation, improvement in the innovation and development capabilities of enterprises, and strengthening of self-discipline and integrity of the industry, will determine the sustainable development of the cement industry in future.

The Group's management possesses the qualities and skills with respect to good leadership, development and implementation of business philosophy, market capabilities and quality management. Facing increasing pressure of a declining industry, decreasing demand and increasingly complex operating environment, the management will steer the Group through situations of excessive capacity, imbalance between supply and demand, low rate of capacity utilization by enhancing internal organisational structure and work processes as well as workforce and management quality, thereby strengthening the Group's market competitiveness. The Group will focus on key performance indicators, striving to continue to improve the operating indicators. The Group will strengthen talents training and improve their quality through professional training, in order to build a talented and capable team. The Group will concentrate on practical results; it will always focus on performance objectives by formulating plans and implementing them in an orderly manner; strengthen professional management and drivers of future growth, by deepening reforms to stimulate development of organic growth drivers, and steer the Group towards high-quality development by intensifying the application of lean management.

CEO'S REVIEW

WU, Chung-lih
Chief Executive Officer

In 2018, the average price of cement in China sustained the growth momentum from the previous year, and continued to hit record high. The profit of the industry as a whole reached record high. During the reporting period, the infrastructure investment in China decreased substantially, while the pace of property development slowed down, with tightened regulation of the real estate market and continued depletion of inventory, which led to slowdown in investment. However, benefiting from the government policy's emphasis on maintaining stability, continued expansion of the scope of tax deduction and fee reduction, broader launch of environmental inspections, off-peak season production and production restrictions for environmental protection, the demand of the cement market in 2018, though slightly declined, remained relatively stable. The cement output in China reached 2.21 billion tonnes. The cement market continued to be in a plateau phase.

CEO's Review

During the reporting period, the Group's 15 kilns were in operation for the entire year. In 2018, the Group produced 24.80 million tonnes of clinker, up by 2.6% from that of 2017, and 29.88 million tonnes of cement (including slag powder). Total sales volume rose by 2.5% year-on-year to 30.95 million tonnes, including 29.04 million tonnes of cement, 1.54 million tonnes of clinker and 0.37 million tonnes of slag powder. The Group's cement price increased by RMB97 per tonne from that of the previous year to RMB342 (excluding tax). The unit cost of coal consumption increased from RMB636 per tonne in the previous year to RMB700 per tonne (excluding tax).

The Group's revenue for 2018 amounted to approximately RMB11,330,347,000, representing a year-on-year increase of 45%, with gross profit and net operating profit amounting to approximately RMB4,386,415,000 and RMB3,624,065,000, representing year-on-year increases of 130% and 193% respectively. The gross profit margin and net operating profit margin were 38.7% and 32.0% respectively, representing year-on-year increases of 14.3 percentage points and 16.2 percentage points.

2018 was a year for the Group to push ahead with transformation and redevelopment, reorganization and improvement. The Group seized opportunities to implement various innovative measures; and fully leveraged big data analytics to strengthen management and enhance efficiency through adjustment and training of the management team. In the face of continued capacity reduction in the industry, the Group had made the following efforts and improvements to increase its competitiveness:

I. MANAGEMENT

The Group had implemented the concept of "operation of headquarters under the command of the Group's chairman". In view of the long term development of the Group and to swiftly adapt to market changes, reform and transformation of the organization and the workforce are necessary to respond to future changes. Under the instructions of the chairman, important positions, particularly those of senior managerial staff, shall have defined roles and specified duties. At the start of the fourth quarter, organizational talent review, and redeployment and planning of human resources were carried out in the headquarters and all operational regions.

The Group had strengthened its training programs to improve the staff's capability, thus grooming more professional talents for the Group's future development. The Group had initiated the second generation high calibre employees training. Mid-level supervisors MTP training was conducted to accelerate the training of mid-level supervisors for the Group, and to raise the overall quality of the individual managers and to improve their competitiveness. The Group also continued to recruit fresh graduates, and arranged to send staff at different levels to Taiwan for training, thus maintaining the Group's vitality and innovativeness. The Group also introduced job rotation programme, encouraging its staff to take initiative and self-motivate.

In future, the Group plans to implement more flexible talent training programs, which can meet the demand for management successors. The Group conducted performance appraisal of general managers and managerial staff of subsidiaries, using key performance indicators to evaluate the performance of each company. The sense of responsibilities was also emphasised, with individuals being held to account for their actions. The Company also prompted its subsidiaries to strictly control manageable variables, save costs and improve operational efficiency.

II. MARKETING

The Group had implemented electronic management. To adapt to the industry's electronisation development, the Group promoted the use of mobile sales APP, defining customers' requirements and using QR code for making pick-up requests, with the SAP data being synchronised. The Group commenced cement e-commerce and reformed its operational system. It also strengthened the GPS monitoring system, and fully leveraged its inspection ability to prevent anti-channel conflict. The Group had made all business operations more systematic, rationalised and transparent.

The Group had changed its sales method and concept; it strengthened the management of distributors, rectifying distributors with misconduct, while launching distributor incentive scheme. The Group made a thorough review of its distributors and replaced those with misconduct; selected quality customers and adopted dedicated relationship management, and further diversified its services and assigned designated staff for after-sales services. The Group also increased the sense of responsibilities of its staff; changed its marketing strategy, strengthened direct sales proportion, reduced the loading/unloading time of ships and trucks to increase cost efficiency.

The Group had also strengthened the management of overdue accounts receivables. The Group had stepped up its efforts to collect and reduced the number of accounts receivable turnover days, and thoroughly cleared out old and bad debts, thus ensuring effective liquidity management. In the event of overdue accounts receivables and disputes thereof, the Company had expressed its position on the matter and timely pursued legal action to safeguard its interests.

III. TECHNOLOGY INNOVATION

Cement industry is a traditional industry. Enterprises have to possess technology innovation ability and the ability to continue to innovate, in order to enhance their competitiveness, thereby facilitating the development of the entire industry and the national economy.

The Group had initiated intelligent transformation and developed specialised system to conduct real-time monitoring of production operation through website and mobile terminal. The Company sent warning information on production precisely to various subsidiaries and adopted digital manufacturing management, with real-time monitoring of the data on emissions such as smoke, dust, NO_X, and SO_2 at the front and back ends of the kilns; made timely warnings in the event of abnormality to ensure effective operation of its environmental protection equipment for dust removal, desulfurisation and denitration, with emission data better than the national required standard.

The Group set up electricity usage monitoring and management system; optimised methods of electricity usage, and fully leveraged the conveyor belt for direct-transporting limestone from mines to factories, and the remote diagnostic system. With the technological modification of the grinding and sintering process using coal of high and low heating value, the Group used 6000 Kcal and 5000 cal coal at the front-end and back-end of the kilns respectively, to reduce the use of coal of high unit cost, thereby lowering energy cost.

IV. ENVIRONMENTAL PROTECTION

Actively responding to the national policy, the Group had applied for sewage permits. The use of cement kilns to treat hazardous waste will produce substantial economic and social and environmental benefits. Against such a backdrop, the Company actively worked with the government to launch projects using cement kiln to treat waste, which complemented the operation of traditional hazardous waste incinerators; improved the recycling of industrial waste residue, as well as launched mine reclamation and environmental beautification projects, which implemented measures for environmental protection and restoration of mines. Meanwhile, the Group established a specialised green mine unit, which formulates detailed plan with feasible implementation according to the characteristics of each mine, to ensure sustainable use of the land after reclamation and to raise the overall environmental protection standard, thereby achieving transformation of mined areas to productive ecosystems.

All in all, the economic development in 2018 focused on upholding new development philosophy, persevering with the promotion of high quality development and supply-side structural reform. Benefiting from off-peak season production and production restrictions for environmental protection, cement price in 2018 stayed at levels better than expected. Price in certain regions had hit levels higher than those in 2011, and reached record high. There will be increasing uncertainty in 2019, which make it a more challenging year for the cement industry. With respect to demand side, tightened property policy and recovery of infrastructure investment will remain at the same time; regarding supply side, partial relaxation of production restrictions for environmental protection and capacity replacement may further increase effective capacity. Although there exists uncertainty in both demand side and supply side, various favourable factors also deserve attention. The Group is of the view that large-scale cement enterprises will face both opportunities and challenges in 2019. The Group is fully confident that, with its competitive edge, it will seize market opportunities, embrace reforms, and turn a market situation to its advantage to achieve better results, and give back to society, the Company and shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

1. BUSINESS REVIEW

The country's deleveraging, PPP rectification and inspection of hidden debt of local governments and other policies carried out in early 2018 had significant impact on infrastructure construction, and the growth rate of investment continued to decline. Despite the aforesaid, the national economy in general continued to grow within a reasonable range. The GDP growth for the year was 6.6%, achieving the expected development target of around 6.5%.

Benefitting from the nation's supply-side structural reform and tightened pollution control, coupled with the results from energy saving and emission reduction efforts and off-peak season production, the cement production capacity was constrained. During 2018, the prices in the cement industry continued to hover at high levels. Prices remained at high levels, mostly between RMB400-430 per tonne, for the first three quarters, and began to soar significantly in the fourth quarter. In December, the national average price reached RMB464 per tonne. In 2018, the national PO42.5 cement price was RMB427 per tonne, representing an increase of RMB77 per tonne or 22% from that of 2017. The profit of the industry beat the record of 2011, reaching a new high of RMB154.6 billion.

In 2018, the national fixed asset investment saw a 5.9% year-on-year increase, representing a 1.3 percentage points drop from that of 2017; while the property development investment growth rate was 9.5%, up by 2.5 percentage points from that of 2017. Despite a slowdown in the growth of fixed asset investment, the accelerated growth rate of property development investment and the rural demand driven by poverty alleviation had helped to sustain the overall stability of cement demand, the national cement output in 2018 reached 2.21 billion tonnes.

2018 was a year for the Group to actively push ahead with transformation, reorganising and refining. The Group promoted a number of innovative projects, improved accounts receivables, strengthened management restructuring and talent training, fully utilised information tools, enhanced environment protection, thereby increased the Group's overall competitiveness.

(1) Stepping up the efforts of collection of accounts receivables and recovery of overdue receivables, controlling the amount of accounts receivable and optimising the structure of accounts receivable. When compared with 2017, the Group's cement segment's operating revenue increased by RMB3,259 million in 2018, accounts receivable increased by RMB31 million. Operating revenue for ready-mix concrete segment increased by RMB256 million, accounts receivable increased by RMB136 million.

(2) Following the planning of the Group's headquarters, the Group further promoted the integration of information tools with production and sales. With respect to production, the Group realised the standardisation of production management and quality control; hence the production efficiency and quality stability had been improved. On the aspect of sales, in addition to allowing customers to make pick-up request by scanning QR code since 2017, the Group conducted tests on customer APP in 2018, which would further improve delivery efficiency and shorten waiting time.

(3) The Group considers talents as important assets and therefore strengthens human resources training and optimisation. The Group has adopted job rotation scheme for sales staff, second-generation high calibre employees training, mid-level supervisors MTP training, to accelerate the cultivation process of the Company's mid-level management. The Group has been more rational in building the talent pool for succession planning and has possessed abundant expert resources, which lay a talent-oriented foundation for the Company's future development.

(4) With respect to environmental protection, in addition to its efforts in low energy consumption and low emission, the Group modified and introduced a number of new technologies in desulfurisation, denitration and dust collection etc., thus realised ultra-low energy consumption and ultra-low emission. Meanwhile, the Group actively cooperated with government departments in environmental assessment and planning, and initiated investment in treating industrial waste and the use of cement kilns to treat waste, thereby fulfilled corporate social responsibility.

The Group achieved a steady growth in production and sales of cement products in 2018. On the front of production, the Group's clinker output reached 24.8 million tonnes, up by 2.6% from that of 2017; for sales, the Group's total sales volume of cement products amounted to 30.95 million tonnes, representing an increase of 2.5% from that of 2017. Benefitting from the supply-side reform in full swing and the deepening of environmental control, the prices in all the Group's major sales regions had risen, and the Group's overall profitability in 2018 had increased significantly from that of 2017.

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

	2018	2017	Change (%)
Cement	**29,039**	28,180	3.0
Clinker	**1,537**	1,757	(12.5)
Blast-furnace slag powder	**376**	264	42.4
	30,952	30,201	2.5

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

	2018	2017	Change (%)
Southeastern region	**13,519**	13,788	(2.0)
Central region	**6,512**	6,827	(4.6)
Southwestern region	**9,008**	7,565	19.1
	29,039	28,180	3.0

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

	2018 Sales volume	2018 Percentage (%)	2017 Sales volume	2017 Percentage (%)
High grade cement	**25,681**	**88**	24,198	86
Low grade cement	**3,358**	**12**	3,982	14
	29,039	**100**	28,180	100

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

	2018 Sales volume	2018 Percentage (%)	2017 Sales volume	2017 Percentage (%)
Bulk cement	**24,323**	**84**	22,404	80
Bagged cement	**4,716**	**16**	5,776	20
	29,039	**100**	28,180	100

Table 5: The Group's market share

	2018	2017
Jiujiang	**37%**	39%
Nanchang	**28%**	29%
Wuhan	**24%**	26%
Chengdu	**41%**	31%
Yangzhou	**24%**	26%

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 2018, the Group's revenue amounted to RMB11,330.3 million, representing an increase of RMB3,514.8 million or 45% from RMB7,815.5 million in 2017. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2018.

	2018 RMB'000	2018 %	2017 RMB'000	2017 %
Southeastern region	**5,537,596**	**49**	3,953,307	51
Central region	**2,466,454**	**22**	1,898,329	24
Southwestern region	**3,326,297**	**29**	1,963,891	25
	11,330,347	**100**	7,815,527	100

In respect of revenue contribution for 2018, sales of cement accounted for 88% (2017: 88%) and sales of concrete accounted for 5% (2017: 4%). The table below is a sales analysis by product for the reporting period:

	2018 RMB'000	2018 %	2017 RMB'000	2017 %
Cement	**9,926,311**	**88**	**6,911,717**	88
Clinker	**501,518**	**4**	**385,815**	5
RMC	**592,703**	**5**	**337,176**	4
Blast-furnace slag powder	**110,022**	**1**	**51,835**	1
Others	**199,793**	**2**	**128,984**	2
	11,330,347	**100**	**7,815,527**	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 2018, the Group's cost of sales increased by approximately 18% to RMB6,943.9 million from RMB5,905.2 million in 2017 due to the increase in the rising cost of raw materials and coal used for manufacturing cement products.

The gross profit for 2018 was RMB4,386.4 million (2017: RMB1,910.3 million), with a gross profit margin of 39% (2017: 24%). 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 2018, other income amounted to RMB170.7 million, representing an increase of RMB68.9 million from RMB101.8 million in 2017. The increase in other income was attributable to the increase in government grant and interest income.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, impairment loss on investment in a joint venture, impairment loss on property, plant and equipment and loss on disposal/write-off of property, plant and equipment. For 2018, other losses amounted to RMB10.0 million, representing a decrease of RMB35.3 million from other losses of RMB45.3 million in 2017. The decrease in other losses was principally attributable to the decrease in impairment loss on investment in a joint venture.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2018, the distribution and selling expenses increased by approximately 12%, from RMB398.1 million in 2017 to RMB445.9 million in 2018. Such increase was mainly attributable to an increase in transportation and commission of cement products during 2018.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 15%, from RMB275.9 million in 2017 to RMB316.5 million in 2018. The increase was attributable to an increase in other general expenses, which led to other general expenses during 2018.

The 11% decrease in finance costs was mainly due to lower bank borrowing rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2018 increased by RMB2,398.4 million, constituting a profit of RMB3,383.2 million (2017: profit of RMB984.8 million).

Income Tax Expense

In 2018, income tax expense increased by RMB533.8 million or approximately 153% to RMB882.4 million, from RMB348.6 million in 2017.

Non-controlling Interests

In 2018, non-controlling interests amounted to RMB80.0 million, representing an increase of RMB46.2 million or approximately 137% compared with RMB33.8 million in 2017, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2018, the net profit of the Group amounted to RMB2,500.8 million, representing an increase of RMB1,864.6 million from the profit of RMB636.2 million in 2017.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2018. Total assets increased by approximately 26% to RMB20,722.3 million (31 December 2017: approximately RMB16,410.0 million), while total equity increased by approximately 22% to RMB12,442.3 million (31 December 2017: approximately RMB10,210.4 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2018, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB5,016.6 million (31 December 2017: RMB977.2 million), of which approximately 40% was denominated in RMB and approximately 60% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs and staff salaries. Cash generated from operating activities increased from RMB1,168.9 million in 2017 to RMB2,907.9 million in 2018.

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 investing activities primarily consisted of purchases of property, plant and equipment and purchases of land use rights. In 2018, the net cash used in investment activities of the Group amounted to RMB71.2 million, representing a decrease from RMB137.6 million in 2017.

In 2018, the net cash from financing activities of the Group amounted to RMB1,231.8 million. This was primarily due to raising of bank borrowings in 2018.

Capital Expenditure

Capital expenditure for the year ended 31 December 2018 amounted to approximately RMB145.0 million, and capital commitments as at 31 December 2018 amounted to approximately RMB517.6 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 2018 and 2017 are summarized below:

	As at 31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Short-term borrowings	2,475,485	37	2,991,361	61
Long-term borrowings	4,154,659	63	1,911,998	39
Currency denomination				
– RMB	3,606,904	54	4,903,359	100
– US dollars	3,023,240	46	–	–
Borrowings				
– unsecured	6,630,144	100	4,903,359	100
Interest rate				
– fixed-rate RMB borrowings	129,550	3.92% to 4.35%	–	N/A
– variable-rate RMB borrowings	3,477,354	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.70% to 1.10%	4,903,359	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%
– variable-rate USD borrowings	3,023,240	LIBOR plus margin of 0.70% to 1.35%	–	N/A

As at 31 December 2018, the Group had unutilized credit facilities in the amount of RMB4,293.0 million.

As at 31 December 2018, the Group's gearing ratio was approximately 40% (31 December 2017: 38%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2018 and 2017, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2018.

Contingent Liabilities

As at the date of this report and as at 31 December 2018, the Board (the "Board") is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2018, the Group had 3,887 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC, and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors (the "Directors") and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group. As at 31 December 2018, 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 2018.

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

In 2019, the objective of the country's economic task is "stabilisation of six areas", namely, stabilising employment, finance, foreign trade, foreign investment, investment and expectations. The State adheres to the key work guidance of making progress while maintaining stability, ensuring economic growth within a reasonable range. There is still a relatively strong support for industry demand, and the probability of a sharp decline is slim. The current major issues regarding the supply side are as follows:

(1) The off-peak season production is facing new challenges, and the pressure on cement supply is increasing in some areas. There will still be 25 million tonnes of capacity inaugurated in 2019, mainly located in Guangdong, Guangxi and the southwestern region. There have been new changes in production restrictions for environmental protection, reflecting mainly in the following: environmental protection enforcement activity shall not be carried out across the board, and cement companies meeting environmental standards such as ultra-low emissions can conduct differential off-peak season production. Differential off-peak season production thus helps encourage companies to raise environmental standards and mitigate the impact on economic activities due to suspended production; however, such will also increase unfair market competition and the difficulty for the industry to exercise self-discipline.

(2) The impact of imported clinker on the market cannot be ignored. In 2018, China imported approximately 10 million tonnes of clinker. In order to resist imported clinker, on entering the off-season, there was a one-off reduction of RMB160 per tonne in the price of cement and clinker in the Yangtze River Delta in early 2019. In view of the market trend, imported clinker will still have an impact on the market in 2019, and imported clinker will not only come from Vietnam; other countries in Southeast Asia including Indonesia with overcapacity problem may also enter the cement markets along the coast of China and the Yangtze River, and will thus affect the market to certain extent.

Although uncertainties exist in both demand and supply sides, many favourable factors are also worth paying attention. The Group believes that there are opportunities as well as challenges in 2019, and therefore it remains cautiously optimistic.

(1) Facing the challenge of a complex and severe global economic situation, the domestic economy is under greater downward pressure. Despite the aforesaid, China's economy has built up sufficient resilience and enjoys huge potential for development on the back of an enormous domestic market; the long-term economic outlook will remain positive. GDP growth rate in 2019 is expected to maintain at 6.0-6.5%. Against the backdrop of an expected stable economic growth, the probability of a sharp decline in cement demand in 2019 is small, but there will be adjustment in demand during a plateau phase.

(2) To ease the economic downward pressure, countercyclical investments, especially infrastructure investment, will rebound significantly. The existing infrastructure growth rate is still at its lowest level in history. With policies driving steady growth of infrastructure construction, the growth rate of infrastructure investment in 2019 is expected to gradually stabilise and pick up, and will continue to provide strong support for robust demand of cement.

(3) With the successive promulgation of a series of national policies in 2019, while strictly controlling new production capacity, industry leaders will capitalise on the plateau phase of demand to accelerate the pace of mergers and acquisitions. It is expected that the cement industry concentration will further increase. In 2018, a platform company – Haizhong Trading Co. Ltd. (海中貿易有限公司) – explored new ideas using scientific approach to regulate the production and supply of cement products, with the aim to stabilise market dynamics and market supply and demand. In 2019, major regional companies and the Group's subsidiaries will continue to maintain and strengthen their synergetic relationships. As such, a positive development of the cement industry is expected to continue.

(4) According to the new national standard, which will become effective from 1 October 2019, the 32.5-grade portland composite cement (PC32.5R) will be abolished. Since PC32.5R is a representative of low-grade cement variety, its abolition will drive the consumption of clinker required for cement production, while increasing the production cost of the grinding mills, prompting the closure or transformation of some grinding mills. With over 80% of its product mix comprising high-grade cement products, the Group will benefit from the abolition of 32.5-grade cement.

3. THE GROUP'S OUTLOOK

The Group expects that the national cement demand will still be in the plateau phase in 2019, but the government's effort in supply-side reform will not reduce, and the measures to eliminate excess capacity and optimise structure will not be relaxed. The policies of environmental protection, energy conservation and emission reduction, and off-peak season production will continue to be implemented. The trend for gradual improvement in the industry's supply-demand balance will persist, and regional cooperation and healthy competition are expected to continue. As such, the Group expects the overall industry development in 2019 will continue the trend in 2018. In view of the coexistence of challenges and favourable factors, 2019 is a year filled with promising prospects for those embrace reform and turn a market situation to their advantage to achieve better results.

In a new era of change, constant innovation, efficiency enhancement, cost reduction, structure optimisation and quality improvement will be the direction of the Group's operation management in 2019. The Group will continue to uphold its decades' corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", advocate the new vision of "accelerate transformation – creating a new economy", promote intelligent and IT transformation of enterprises, apply ultra-low energy consumption and ultra-low emission standards, invest in urban waste treatment and sludge treatment projects, and enhance competitiveness with excellent quality, stable and reliable services, and the courage to take social responsibility.

As a long-standing, sustainable and innovative international company, the Company will create greater value for society, shareholders and employees with its excellent performance.

Corporate Governance Report

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

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2018, 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.

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 2018 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. WANG, Wei
Mr. LEE, Kao-chao
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-lih, Mr. CHANG, Chen-kuen and Mr. LIN, Seng-chang have entered into a service contract with the Company for a term of three years commencing on 27 April 2017, and Ms. WU, Ling-ling has entered into a service contract with the Company for a team of three years commencing on 1 April 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 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and four meetings were held in 2018. 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 2018.

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

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

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

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

TRAINING FOR DIRECTORS

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

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

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

The individual training record of each Director received for financial year ended 31 December 2018 is set out below:

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

Notes:

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Two meetings were held with the management and/or the external auditors in 2018. 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 2018. Members of Remuneration Committee attendance at committee meeting held during their term of office are listed below:

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration of the members of senior management by bands in 2018 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 meeting was held in 2018. Members of Independence Committee attendance at committee meeting held during their term of office are listed below:

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

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

NOMINATION COMMITTEE

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

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

DIRECTOR NOMINATION POLICY

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

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

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

One meeting was held in 2018. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

(vi) The Board's annual reviews of the Company's corporate governance practices for the year ended 31 December 2018 has covered the aforesaid matters.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2018, 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.

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external services provider, and Ms. HO Siu Pik ("Ms. HO") has been appointed as the company secretary of the Company. Ms. Ho's primary contact person at the Company is Mr. WU Chien-hua, acting CFO and the manager of the accounting department of the Group. During year 2018, Ms. HO undertook over 15 hours of professional training to update her skill and knowledge.

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

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 45 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2018 is as follows:

	2018 RMB'000
Audit services	**4,844**
Non-audit services	–
Total	**4,844**

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 2018, 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 2018 annual general meeting of the Company ("2018 AGM") was held on 8 May 2018. The notice of the 2018 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2018 AGM.

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

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

The Company's external auditor also attended the 2018 AGM.

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

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

DIVIDEND POLICY

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

CONSTITUTIONAL DOCUMENTS

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

Directors and Senior Management

DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 77, 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 247 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 2018, it has total assets of US$85.2 billion and annual revenues of US$23.4 billion.

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

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

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

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

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EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 73, is an executive Director and the vice chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and the vice chairman of Far EasTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr. CHANG, Tsai-hsiung (張才雄), aged 95, 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 69, is an executive Director, the chief executive officer. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, 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 53, has served as an executive Director since April 2016. Ms. WU is also the chief financial officer and executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and its affiliate, Far Eastern Group of Taiwan ("FEG"). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of **China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015 and since 23 May 2018. From June 2001 to July 2007, Ms. WU served as Vice President of Internal Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People's Republic of China as well as abroad.

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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 72, 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 75, 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 72, 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 81, 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 62, 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 75, 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 73, 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 63, is acting CFO 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. YU, Dong-lin (余東霖), aged 68, is the acting CEO, manager of human resources department and manager of secretariat of the Group. Mr. YU is primarily responsible for managing human resources of the Group, and is in charge of the daily administration and procurement of the Group. Mr. YU has over 40 years of experience in human resources, administration and operation in Taiwan Asia Cement Corporation (台灣亞洲水泥公司), the parent company of the Group, and joined the Group in November 2014.

COMPANY SECRETARY

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

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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 2018.

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 137 to 139 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 2018, 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 20 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 2018 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 RMB62 cents per ordinary share, totaling RMB971,448,000 in respect of the year to shareholders on the register of members on 28 May 2019. The proposed final dividend for the year ended 31 December 2018 has been approved at the Company's Board meeting on 20 March 2019. Details of the dividends for the year ended 31 December 2018 are set forth in note 13 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 18 May 2019 to Thursday, 23 May 2019, 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, 17 May 2019.

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 Tuesday, 28 May 2019 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 Tuesday, 28 May 2019.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review are set forth in note 45 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 2018, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,729.6 million. The amount of approximately RMB2,729.6 million includes the Company's share premium account of approximately RMB3,063.6 million and accumulated losses of approximately RMB334.0 million in aggregate as at 31 December 2018, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB1.1 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 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 33 and 36 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 2017 and 2018.
- 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 2017 and 2018.
- 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 2018 are set out in Note 38 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 2018 are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the financial year ended 31 December 2018.

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 2018 or at any time during the financial year ended 31 December 2018.

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 2018, 13 April 2018 and 1 October 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives	Total interests	
Mr. Hsu, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. Hsu, Shu-ping	200,000	–	200,000	0.01%
Mr. Chang, Tsai-hsiung	1,129,500	–	1,129,500	0.07%
Dr. Wu, Chung-lih	424,000	–	424,000	0.03%
Mr. Chang, Chen-kuen	341,500	–	341,500	0.02%
Mr. Lin, Seng-chang	400,000	–	400,000	0.03%
Ms. Wu, Ling-ling	20,000	–	20,000	0.001%

Long positions in shares and underlying shares of associated corporation

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

Save as disclosed above, as at 31 December 2018, 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 2018 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	109,945,000	7.02%

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

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 2018 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 2018, (b) no new competing business was reported by each of Asia Cement and Far Eastern as at 31 December 2018; 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 2018.

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 2018.

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 10 January 2018, pursuant to which Jiangxi Yadong agreed to sell and Asia Cement Corporation agreed to buy ordinary Portland cement. The term of the Sale and Purchase Agreement commenced from 10 January 2018 and ended on 31 December 2018.

Pursuant to the Sale and Purchase Agreement, Jiangxi Yadong agreed to supply to Asia Cement Corporation up to 330,000 metric tonnes of cement from 10 January 2018 to 31 December 2018. The unit selling price was based on the actual transaction unit price per metric tonne when the cement was loaded at the Taizhou Port, Jiangsu Province, the People's Republic of China, which was equivalent to the Buyer's selling price to its customers after deducting US$1 (representing the Buyer's operating charge); in any event, however, such purchase price shall range from US$42 to US$45 per metric tonne for cement and after deducting the Buyer's operating charge.

Asia Cement Corporation holds approximately 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 2018, the transaction amount under the Sales and Purchase Agreement was US$9,757,307, whereas the relevant annual cap was US$14,850,000.

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
HSU Shu-tong
Chairman

20 March 2019

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 143, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables amounting to approximately RMB1,085,102,000, which represented approximately 5.2% of total assets of the Group and out of these trade receivables of approximately RMB163,039,000 were past due. As disclosed in note 40(b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 40(b) to the consolidated financial statements, the Group recognized an additional amount of RMB78,405,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2018 amounted to approximately RMB188,417,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2018, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

Key audit matters	How our audit addressed the key audit matters
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 19 to the consolidated financial statements, the carrying amount of goodwill was RMB554,241,000 as at 31 December 2018, which had been allocated to a cash generating unit ("CGU") of Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") (2017: goodwill has been allocated to a CGU of Wuhan Yaxin Cement Co, Ltd ("Wuhan Yaxin") and Sichuan Lanfeng amounted to RMB138,759,000 and RMB554,241,000, respectively). Wuhan Yaxin and Sichuan Lanfeng were both engaged in the manufacturing and sales of cement in the People's Republic of China. In estimating the recoverable amounts of the CGUS to which goodwill have been allocated, the management has made a number of key consumptions in the value in use calculations. The key assumptions include growth rates, discount rates, the forecast performance in respect of budgeted sales and budgeted costs based on management's view of future business prospects. As disclosed in note 19, an impairment loss of RMB138,759,000 was recognised and charged to profit or loss for the year ended 31 December 2018.	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 evidence, such as approved budgets, to assess the accuracy and reliability; and • Assessing the sensitivity analysis prepared by 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 issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**11,330,347**	7,815,527
Cost of sales		**(6,943,932)**	(5,905,183)
Gross profit		**4,386,415**	1,910,344
Other income	7	**170,675**	101,821
Other gains and losses	8	**(10,028)**	(45,350)
Impairment loss recognised on goodwill	19	**(138,759)**	–
Allowance for credit losses, net		**(26,243)**	(35,975)
Distribution and selling expenses		**(445,879)**	(398,141)
Administrative expenses		**(316,471)**	(275,869)
Finance costs	9	**(244,450)**	(275,388)
Share of profits of joint ventures	21	**6,800**	3,334
Share of profit of an associate	22	**1,090**	54
Profit before tax		**3,383,150**	984,830
Income tax expense	10	**(882,360)**	(348,627)
Profit and total comprehensive income for the year	11	**2,500,790**	636,203
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,420,839**	602,377
Non-controlling interests		**79,951**	33,826
		2,500,790	636,203
		RMB	RMB
Earnings per share			
Basic	14	**1.545**	0.384

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**8,598,033**	9,301,776
Quarry	16	**163,974**	201,736
Prepaid lease payments	17	**701,095**	719,487
Investment properties	18	**89,730**	60,391
Goodwill	19	**554,241**	693,000
Other intangible assets	20	**3,991**	4,414
Interest in joint ventures	21	**49,045**	43,772
Interest in an associate	22	**16,565**	16,275
Restricted bank deposits	26	**1,421**	30,410
Deferred tax assets	30	**72,615**	57,474
Long term prepaid rental	31	**20,000**	22,000
		10,270,710	11,150,735
CURRENT ASSETS			
Inventories	23	**726,239**	727,506
Trade and other receivables	24	**4,104,907**	2,960,006
Prepaid lease payments	17	**22,952**	22,912
Loans to related companies	25	**546,599**	546,599
Amount due from an associate	25	**11,257**	6,153
Amount due from a joint venture	25	**24,535**	49,281
Restricted bank deposits	26	**6,456**	6,548
Bank balances and cash	26	**5,008,691**	940,247
		10,451,636	5,259,252
CURRENT LIABILITIES			
Trade and other payables	27	**988,260**	1,011,148
Contract liabilities	28	**136,355**	–
Amounts due to joint ventures	25	**15,350**	24,216
Tax payables		**439,830**	208,474
Borrowings – due within one year	29	**2,475,485**	2,991,361
		4,055,280	4,235,199
NET CURRENT ASSETS		**6,396,356**	1,024,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,667,066**	12,174,788

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*29*	**4,154,659**	1,911,998
Deferred tax liability	*30*	**38,783**	25,636
Provision for environmental restoration	*32*	**31,278**	26,770
		4,224,720	1,964,404
NET ASSETS		**12,442,346**	10,210,384
CAPITAL AND RESERVES			
Share capital	*33*	**140,390**	140,390
Reserves		**11,947,519**	9,769,542
Equity attributable to owners of the Company		**12,087,909**	9,909,932
Non-controlling interests		**354,437**	300,452
TOTAL EQUITY		**12,442,346**	10,210,384

The consolidated financial statements on pages 50 to 143 were approved and authorised for issue by the Board of Directors on 20 March 2019 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 2018

	Attributable to owners of the Company							Attributable to non-controlling interests	
	Share capital RMB'000	Share premium RMB'000 *(note a)*	Statutory reserves RMB'000 *(note b)*	Other reserves RMB'000 *(note c)*	Special reserve RMB'000 *(note d)*	Retained earnings RMB'000	Sub-total RMB'000	RMB'000	Total RMB'000
Balance at 1 January 2017	140,390	3,353,463	1,409,927	286,038	1,635,906	2,528,837	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 13)*	–	(47,006)	–	–	–	–	(47,006)	–	(47,006)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(13,961)	(13,961)
Balance at 31 December 2017	140,390	3,306,457	1,515,342	286,038	1,635,906	3,025,799	9,909,932	300,452	10,210,384
Profit and total comprehensive income for the year	–	–	–	–	–	2,420,839	2,420,839	79,951	2,500,790
Appropriation	–	–	209,154	–	–	(209,154)	–	–	–
Dividends recognised as distribution *(note 13)*	–	(242,862)	–	–	–	–	(242,862)	–	(242,862)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(25,966)	(25,966)
Balance at 31 December 2018	140,390	3,063,595	1,724,496	286,038	1,635,906	5,237,484	12,087,909	354,437	12,442,346

Notes:

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

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

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

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

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

c. *Other reserves as at 31 December 2018 and 2017 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.*

d. *Special reserve as at 31 December 2018 and 2017 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**3,383,150**	984,830
Adjustments for:		
Depreciation and amortisation	**871,419**	891,129
Finance costs	**244,450**	275,388
Fair value change on investment properties	**(1,338)**	(3,330)
Allowance for credit losses, net	**26,243**	35,975
Provision for environmental restoration	**4,508**	4,219
Loss on disposal/write-off of property, plant and equipment	**9,761**	25,408
Loss on disposal of other intangible assets	**–**	218
Gain on disposal of a subsidiary	**(9,051)**	–
Impairment loss on property, plant and equipment	**11,417**	–
Impairment loss on investment in a joint venture	**–**	20,031
Impairment loss recognised on goodwill	**138,759**	–
Interest income on bank deposits	**(37,905)**	(8,456)
Interest income from advance to a joint venture	**(1,594)**	–
Share of profits of joint ventures	**(6,800)**	(3,334)
Share of profit of an associate	**(1,090)**	(54)
Operating cash flows increase before movements in working capital	**4,631,929**	2,222,024
Decrease in inventories	**1,267**	40,312
Increase in trade and other receivables	**(1,174,805)**	(993,096)
Increase in amount due from an associate	**(5,104)**	(2,401)
Decrease (increase) in amount due from a joint venture	**10,781**	(10,316)
Increase in trade and other payables	**110,910**	74,965
(Decrease) increase in amounts due to joint ventures	**(8,866)**	10,737
Decrease in contract liabilities	**(5,250)**	–
Cash generated from operations	**3,560,862**	1,342,225
Income taxes paid	**(652,998)**	(173,354)
NET CASH FROM OPERATING ACTIVITIES	**2,907,864**	1,168,871

	NOTE	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Loans to related companies		**(546,599)**	(546,599)
Purchases of property, plant and equipment		**(147,799)**	(129,126)
Purchases of land use rights		**(6,399)**	(6,203)
Placement of restricted bank deposits		**(3,329)**	(3,365)
Purchases of intangible assets		**(1,065)**	(1,663)
Repayment from related companies		**546,599**	476,683
Withdrawal of restricted bank deposits		**32,410**	1,273
Net cash inflow from disposal of a subsidiary	*44*	**10,830**	–
Proceeds on disposal of property, plant and equipment		**15,847**	30,040
Repayment from a joint venture		**14,000**	1,500
Interest received on bank deposits		**8,365**	8,456
Repayment of long term receivables from local governments in the PRC		**2,000**	28,236
Interest received from advance to a joint venture		**1,559**	–
Dividends received from a joint venture		**1,527**	3,256
Dividends received from an associate		**800**	800
Proceeds on disposal of prepaid lease payment		**29**	–
Payment for acquisition of quarries		**–**	(839)
NET CASH USED IN INVESTING ACTIVITIES		**(71,225)**	(137,551)
FINANCING ACTIVITIES			
New borrowings raised		**5,910,412**	7,187,729
Repayments of borrowings		**(4,183,627)**	(7,475,867)
Interest paid		**(226,152)**	(275,388)
Dividends paid		**(242,862)**	(47,006)
Dividends paid to non-controlling interests		**(25,966)**	(13,961)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,231,805**	(624,493)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,068,444**	406,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**940,247**	533,420
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**5,008,691**	940,247

1. GENERAL

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

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

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

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

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

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

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

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

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of cement products and related products
- Sales of concrete

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017** RMB'000	**Reclassification** RMB'000	**Carrying amounts under IFRS 15 at 1 January 2018*** RMB'000
Current liabilities				
Trade and other payables	*27*	1,011,148	(141,605)	869,543
Contract liabilities	*28*	–	141,605	141,605

* *The amounts in this column are before the adjustments from the application of IFRS 9.*

As at 1 January 2018, advances from customers of approximately RMB141,605,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

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

IFRS 15 Revenue from Contracts with Customers (continued)

Impact on the consolidated statement of financial position

	Notes	As reported RMB'000	Adjustment RMB'000	Amounts without application of IFRS 15 RMB'000
Current liabilities				
Trade and other payables	*27*	988,260	136,355	1,124,615
Contract liabilities	*28*	136,355	(136,355)	–

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustment RMB'000	Amounts without application of IFRS 15 RMB'000
Operating activities			
Increase in trade and other payables	110,910	(5,250)	105,660
Decrease in contract liabilities	(5,250)	5,250	–

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments*, and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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

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

IFRS 9 Financial Instruments (continued)

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under IAS 39, contract assets and trade receivables have been assessed individually with outstanding significant balances of RMB265,200,000, the remaining balances are grouped based on internal credit rating.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including other receivables, loans to related companies, amount due from an associate, amount due from a joint venture, restricted bank deposits, bank balances and cash, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against retained earnings as the amount involved is insignificant.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

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

New and amendments to IFRS Standards issued but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after a date to be determined*
[3] *Effective for annual periods beginning on or after 1 January 2021*
[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
[5] *Effective for annual periods beginning on or after 1 January 2020*

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

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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

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.

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

New and amendments to IFRS Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

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.

Other than certain requirements which are also applicable to lessor, 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.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB623,769,000 as disclosed in note 34. 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 approximately RMB216,000 and refundable rental deposits received of approximately RMB71,000 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 considered as additional lease payment and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in 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.

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 IFRS Standards). 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 IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

Goodwill

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

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

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

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

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

The Group assess whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/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 from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) (continued)

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

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

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

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

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

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

Existence of significant financing component

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018)

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.

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

Transportation fee income is recognised when the services are provided.

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

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Costs include 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Investment properties

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

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

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

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, 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.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) 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 determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs (continued)

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.

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share 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 other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

(i) Amortised cost and interest income

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

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL

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

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

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

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

- Past-due status; and

- Nature, size and industry of debtors.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Trade and bills receivables, other receivables, amount due from an associate, amount due from a joint venture, loans to related companies, restricted bank deposits and bank balances and cash are classified into the loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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, 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 (before application of IFRS 9 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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.

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, 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.

Derecognition of financial assets

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

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

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 2018, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 40(b) and 24, respectively.

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, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is RMB554,241,000 (2017: RMB693,000,000). Details of the recoverable amount calculation are disclosed in note 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 18. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions.

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

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

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

Property, plant, and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2018, the carrying value of property, plant and equipment of the Group is approximately RMB8,598,033,000, net of impairment of RMB33,022,000 (2017: RMB9,301,776,000, net of impairment of RMB21,605,000).

5. REVENUE

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	RMB'000
Types of goods – at a point in time recognition	
Sales of cement products and related products	**10,737,644**
Sales of concrete	**592,703**
	11,330,347

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)
The Group sells cement products and related products and concrete to customers and distributors.

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

Under the Group's standard contract terms, customers have a right to exchange for unqualified products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

For the year ended 31 December 2017

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

	RMB'000
Sales of cement products and related products	7,478,351
Sales of concrete	337,176
	7,815,527

6. OPERATING SEGMENT

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

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

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

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

For the year ended 31 December 2018

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

6. OPERATING SEGMENT (continued)

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 result	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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit or loss earned by each segment without allocation of certain other income, certain other gains and losses, central administration costs, directors' salaries, other unallocated expenses, 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.

6. OPERATING SEGMENT (continued)

Other segment information

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

	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

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

6. OPERATING SEGMENT (continued)

Geographical Information

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

Information about major customers

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

7. OTHER INCOME

	2018 **RMB'000**	2017 RMB'000
Government grant income *(note 41)*	**94,617**	71,927
Interest income on bank deposits	**37,905**	8,456
Sales of scrap materials	**22,431**	11,935
Transportation fee income	**7,652**	1,532
Rental income, net of outgoings *(note)*	**6,476**	7,971
Interest income on advance to a joint venture	**1,594**	–
	170,675	101,821

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB4,230,000 (2017: RMB3,210,000).

8. OTHER GAINS AND LOSSES

	2018 **RMB'000**	2017 RMB'000
Exchange gain (loss), net	**761**	(3,023)
Loss on disposal/write-off of property, plant and equipment	**(9,761)**	(25,408)
Loss on disposal/write-off of other intangible assets	**–**	(218)
Gain on disposal of a subsidiary *(note 44)*	**9,051**	–
Impairment loss on property, plant and equipment *(note 15)*	**(11,417)**	–
Impairment loss on investment in a joint venture *(note 21)*	**–**	(20,031)
Increase in fair value of investment properties *(note 18)*	**1,338**	3,330
	(10,028)	(45,350)

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interests on bank borrowings	**244,450**	275,388

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
– PRC enterprise income tax ("EIT")	**851,429**	321,106
Withholding tax paid	**31,522**	15,245
Under(over)provision in prior years in respect of PRC EIT	**1,403**	(2,538)
Deferred tax *(note 30)*	**(1,994)**	14,814
	882,360	348,627

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% (2017: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58) Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2017: 15%) in 2018.

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

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

10. INCOME TAX EXPENSE (continued)

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:

	2018 RMB'000	2017 RMB'000
Profit before tax	**3,383,150**	984,830
Tax at the PRC EIT rate of 25% (2017: 25%)	**845,788**	246,208
Tax effect of expenses not deductible for tax purposes	**100,276**	72,479
Tax effect of different tax rates of subsidiaries	**5,990**	3,816
Tax effect of share of profits of joint ventures	**(1,700)**	(834)
Tax effect of share of profit of an associate	**(273)**	(14)
Effect of tax concessions granted to PRC subsidiaries	**(96,838)**	(4,703)
under(over)provision in prior years	**1,403**	(2,538)
Tax effect of tax losses not recognised	**919**	17,674
Utilisation of tax losses previously not recognised	**(18,774)**	(2,791)
Deferred tax on undistributed earnings of PRC subsidiaries	**14,047**	4,085
Withholding tax paid	**31,522**	15,245
Income tax expense for the year	**882,360**	348,627

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

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

11. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**807,447**	818,126
– Prepaid lease payments	**24,722**	22,116
– Quarry	**37,762**	49,425
– Other intangible assets	**1,488**	1,462
Total depreciation and amortisation	**871,419**	891,129
Less: Capitalised in inventories	**(822,755)**	(843,904)
	48,664	47,225
Staff costs, including directors' remuneration *(note 12(a))*		
Salaries and other benefits	**437,613**	383,132
Retirement benefits scheme contributions	**29,930**	30,736
Total staff costs	**467,543**	413,868
Less: Capitalised in inventories	**(344,260)**	(304,945)
	123,283	108,923
Auditors' remuneration	**4,844**	4,445
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB4,508,000 (2017: RMB4,219,000))	**6,943,932**	5,905,183
Rental payments under operating leases	**40,448**	18,673

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

(a) Directors' and chief executive's emoluments

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

Year ended 31 December 2018

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

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

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

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
Chief executive officer and executive director					
Dr. Wu, Chung-lih	344	1,387	–	–	1,731
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
Non-executive director					
Mr. Hsu, Shu-tong	258	132	–	–	390
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

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

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

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

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

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

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2017: three directors), details of whose remuneration are set out in note (a) above. Details of the remuneration for the year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	**2,147**	1,975

Their emoluments were within the following bands:

	2018	2017
HK$1,000,001 – HK$1,500,000	**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.

13. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year: 2017 Final, paid – RMB15.5 cents (2017: 2016 final dividend RMB3 cents) per share	**242,862**	47,006

A final dividend for the year ended 31 December 2018 of RMB62 cents per share (2017: RMB15.5 cents per share) amounting to approximately RMB971,448,000 (2017: RMB242,862,000) has been proposed by the of directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**2,420,839**	602,377

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trucks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2017	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
Additions	601	9,556	9,276	14,235	–	103,911	137,579
Disposals/write-off	(28,793)	(39,980)	(28,015)	(27,238)	–	–	(124,026)
Disposal of a subsidiary *(note 44)*	(3,853)	(10,172)	(138)	–	–	–	(14,163)
Transfer	15,004	27,020	6,840	2,240	–	(51,104)	–
Transfer from investment properties *(note 18)*	4,900	–	–	–	–	–	4,900
At 31 December 2018	4,220,660	11,964,646	362,122	327,394	531	53,317	16,928,670
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	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
Provided for the year	122,865	649,386	14,695	20,448	53	–	807,447
Impairment loss recognised	4,041	7,116	170	90	–	–	11,417
Eliminated on disposals/ write-off	(20,038)	(30,594)	(24,947)	(22,839)	–	–	(98,418)
Disposal of a subsidiary *(note 44)*	(3,150)	(9,139)	(124)	–	–	–	(12,413)
At 31 December 2018	1,123,497	6,726,564	289,943	190,402	231	–	8,330,637
CARRYING VALUES							
At 31 December 2018	3,097,163	5,238,082	72,179	136,992	300	53,317	8,598,033
At 31 December 2017	3,213,022	5,868,427	74,010	145,454	353	510	9,301,776

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2018, the local government of Wuhan province, the PRC, issued a formal notice to inform Wuhan Ya Dong Cement Co., Ltd. ("Wuhan Ya Dong") a port located in Wuhan province, the PRC, will be demolished in 2019. The property, plant and equipment of Wuhan Ya Dong located in the port were then impaired and an impairment loss of RMB5,713,000 has been recognised for the year ended 31 December 2018 (2017: nil).

In addition, the management of the Group approved to suspend the production of Shanghai Ya Li Cement Products Co., Ltd. ("Shanghai Ya Li") as Shanghai Ya Li incurred operating losses in past years. The production-related property, plant and equipment were fully impaired and an impairment loss of RMB5,704,000 has been recognised for the year ended 31 December 2018 (2017: nil).

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

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

16. QUARRY

	RMB'000
COST	
At 1 January 2017	381,588
Additions	839
Write-off	(28,700)
At 31 December 2017 and 31 December 2018	353,727
Write-off	(63,399)
	290,328
AMORTISATION	
At 1 January 2017	131,266
Provided for the year	49,425
Write-off	(28,700)
At 31 December 2017	151,991
Provided for the year	37,762
Write-off	(63,399)
At 31 December 2018	**126,354**
CARRYING VALUES	
At 31 December 2018	**163,974**
At 31 December 2017	201,736

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 Lanfeng 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 was recognised and charged to profit or loss for the year ended 31 December 2017.

Due to the 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.

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

17. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2018 RMB'000	2017 RMB'000
Non-current assets	**701,095**	719,487
Current assets	**22,952**	22,912
	724,047	742,399

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

At 31 December 2018, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB65,060,000 (2017: approximately RMB267,319,000). The Group is currently in the process of obtaining these land use right certificates.

18. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2017	20,370
Additions *(Note)*	36,691
Increase in fair value recognised in profit or loss	3,330
At 31 December 2017	60,391
Additions *(Note)*	32,901
Transfers to property, plant and equipment *(note 15)*	(4,900)
Increase in fair value recognised in profit or loss	1,338
At 31 December 2018	89,730

Note: During the year ended 31 December 2018, the Group's PRC subsidiaries obtained five (2017: 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 2018 have been arrived at on the basis of a valuation carried out on that date by Savills Inc ("Savills"), an independent qualified professional valuer not connected with the Group (2017: Savills and DTZ Dehenham Tie Leung Real Estate Appraiser Office ("DTZ"). Savills and DTZ are the members of the Taiwan Institute of Surveyors).

18. INVESTMENT PROPERTIES (continued)

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

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Sensitivity
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 RMB32,020 (2017: RMB32,140) 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 RMB16,300 (2017: 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 RMB21,200 (2017: 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.

18. 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)	Sensitivity
Commercial property units located in Wuhan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB16,500 (2017: 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.
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 RMB12,700 per square meter for the year ended 31 December 2018 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB22,000 per square meter for the year ended 31 December 2018 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.

18. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Sensitivity
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 RMB19,200 per square meter for the year ended 31 December 2018 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.
Commercial property units located in Sichuan	Level 3	Direct comparison approach	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property of RMB14,600 per square meter for the year ended 31 December 2018 on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase and vice versa.

19. GOODWILL

	2018 RMB'000	2017 RMB'000
COST		
At 1 January and 31 December	**693,000**	693,000
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised in the year	**(138,759)**	–
At 31 December	**(138,759)**	–
CARRYING VALUES		
At 31 December	**554,241**	693,000

19. GOODWILL (continued)

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:

	2018	2017
	RMB'000	RMB'000
Wuhan Yaxin Cement Co., Ltd. (Wuhan Yaxin) (Note)	**–**	138,759
Sichuan Lanfeng	**554,241**	554,241
	554,241	693,000

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

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

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

The calculation of the recoverable amount of Wuhan Yaxin uses cash flow projections based on financial budgets approved by management covering a 5-year period (2017: 5-year period) and discount rate of 10.6% per annum as at 31 December 2018 (2017: 10.7%). Cash flows beyond the 5-year ended (2017: 5-year period) are extrapolated using a steady 0% (2017: 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 Wuhan Yaxin's past performance and management's expectations for the market development.

The calculation of the recoverable amount of Sichuan Lanfeng uses cash flow projections based on financial budgets approved by management covering a 5-year period (2017: 5-year period) and discount rate of 10.6% per annum as at 31 December 2018 (2017: 10.7%). Cash flows beyond the 5-year period (2017: 5-year period) are extrapolated using a steady 0% (2017: 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 of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of CGU's to exceed its recoverable amount.

20. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2017	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
Additions	–	–	1,065	1,065
Disposal	–	–	(73)	(73)
At 31 December 2018	779	19,779	17,066	37,624
ACCUMULATED AMORTISATION				
At 1 January 2017	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
Provided for the year	–	294	1,194	1,488
Disposal	–	–	(73)	(73)
At 31 December 2018	779	19,681	13,173	33,633
CARRYING VALUES				
At 31 December 2018	–	98	3,893	3,991
At 31 December 2017	–	392	4,022	4,414

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

Backlog orders	1/2 year
Customer relationships	5 years
Software	5 years

21. INTEREST IN JOINT VENTURES

	2018 RMB'000	2017 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	**22,581**	17,308
Accumulated impairment loss on interest in a joint venture	**(32,595)**	(32,595)
	49,045	43,772

At 31 December 2018 and 2017, 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 2018	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activities
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**50%**	50%	**50%**	50%	Provision of transportation services
湖北鑫龍源礦業有限公司 Hubei Xinlongyuan Mining Company Limited ("Hubei Xinlongyuan")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of limestone

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

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

Wuhan Asia

	2018 RMB'000	2017 RMB'000
Current assets	**46,004**	47,259
Non-current assets	**56,336**	53,131
Current liabilities	**(15,002)**	(20,166)

21. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**21,973**	22,755
Revenue	**121,575**	96,309
Profit and total comprehensive income for the year	**10,168**	7,420
Dividends received from the joint venture during the year	**1,527**	3,256
The above profit for the year include the following:		
Depreciation and amortisation	**3,558**	5,505
Interest income	**121**	64
Income tax expense	**3,555**	2,631

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

	2018 RMB'000	2017 RMB'000
Net assets of the joint venture	**87,338**	80,224
Proportion of the Group's ownership interest in Wuhan Asia	**50%**	50%
Carrying amount of the Group's interest in Wuhan Asia	**43,669**	40,112

21. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan

	2018 RMB'000	2017 RMB'000
Current assets	**13,349**	7,991
Non-current assets	**44,803**	49,025
Current liabilities	**(44,712)**	(47,865)

The above amounts of assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**1,214**	810
Current financial liabilities (excluding trade and other payables and provisions)	**(1,261)**	(1,487)
Revenue	**39,009**	14,338
Profit (loss) and total comprehensive income (expense)for the year	**4,289**	(940)
Dividends received from the joint venture during the year	**–**	–
The above loss for the year include the following:		
Depreciation and amortisation	**4,371**	3,043
Interest expense	**1,274**	655
Income tax credit (expense)	**423**	(226)

21. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan (continued)

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

	2018 RMB'000	2017 RMB'000
Net assets of the joint venture	**13,440**	9,151
Proportion of the Group's ownership interest in Hubei Xinlongyuan	**40%**	40%
Goodwill	**32,595**	32,595
Impairment loss *(Note)*	**(32,595)**	(32,595)
Carrying amount of the Group's interest in Huibei Xinlongyuan	**5,376**	3,660

Note: *During the year ended 31 December 2017, the Group recognised an impairment loss of RMB20,031,000 in relation to goodwill arising on the interest in Huibei 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 was recognised as an impairment loss and charged to profit or loss in prior year.*

22. INTEREST IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Cost of unlisted investment in an associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**4,565**	4,275
	16,565	16,275

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

Name of associate	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2018	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activities
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of concrete

22. INTEREST IN AN ASSOCIATE (continued)

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 IFRS Standards.

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

Hubei Zhongjian

	2018 RMB'000	2017 RMB'000
Current assets	**85,595**	63,574
Non-current assets	**2,568**	3,636
Current liabilities	**(46,751)**	(26,523)
Revenue	**97,570**	56,638
Profit and total comprehensive income for the year	**2,725**	136
Dividends received from an associate during the year	**800**	800

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

	2018 RMB'000	2017 RMB'000
Net assets of the associate	**41,412**	40,687
Proportion of the Group's ownership interest in Hubei Zhongjian	**40%**	40%
Carrying amount of the Group's interest in Hubei Zhongjian	**16,565**	16,275

23. INVENTORIES

	2018 RMB'000	2017 RMB'000
Spare parts and ancillary materials	**295,296**	284,737
Raw materials	**222,854**	280,404
Work in progress	**102,930**	79,034
Finished goods	**105,159**	83,331
	726,239	727,506

24. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables from contracts with customers	**1,273,519**	1,079,847
Less: Allowance for credit losses	**(188,417)**	(162,179)
	1,085,102	917,668
Bills receivables	**2,638,644**	1,671,217
	3,723,746	2,588,885
Other receivables	**65,460**	35,793
	3,789,206	2,624,678
Advances to suppliers	**260,330**	272,279
Deposits	**18,236**	19,859
Prepayments	**2,748**	2,165
Value-added tax recoverable	**34,387**	41,025
	4,104,907	2,960,006

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

24. TRADE AND OTHER RECEIVABLES (continued)

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

	Cements		Concrete		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**413,459**	366,490	**180,346**	104,781	**593,805**	471,271
91–180 days	**135,626**	92,224	**107,908**	34,449	**243,534**	126,673
181–365 days	**4,256**	38,234	**84,724**	92,284	**88,980**	130,518
Over 365 days	**89,209**	114,402	**69,574**	74,804	**158,783**	189,206
	642,550	611,350	**442,552**	306,318	**1,085,102**	917,668

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

	Cements		Concrete		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**1,688,341**	1,164,821	**4,793**	10,503	**1,693,134**	1,175,324
91–180 days	**936,428**	483,597	**3,332**	6,100	**939,760**	489,697
181–365 days	**5,750**	6,196	**–**	–	**5,750**	6,196
	2,630,519	1,654,614	**8,125**	16,603	**2,638,644**	1,671,217

As at 31 December 2018, total bills received amounting to RMB2,638,644,000 (31 December 2017: RMB1,671,217,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

Approximately 76% 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.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB182,360,000 and RMB114,720,000 for cement and concrete segment respectively, which are past due as at the reporting date. Out of the past due balances, approximately RMB89,209,000 and RMB69,574,000 for cement and concrete segment respectively has been past due 90 days or more and is not considered as in default as the Group holds collateral over part of these balances.

24. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2017, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB143,292,000 and RMB74,804,000 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 without collateral as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

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

	Cements 2017 RMB'000	Concrete 2017 RMB'000	Total 2017 RMB'000
181–365 days	29,110	–	29,110
Over 365 days	114,182	74,804	188,986
Total	143,292	74,804	218,096

Movement of the allowance for doubtful debts for trade receivables for the year ended 31 December 2017 was set out as follows:

	Trade receivables 2017 RMB'000
Balance at beginning of year	127,283
Additions	50,957
Reversal	(14,982)
Written off	(1,079)
	162,179

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 40.

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

(a) Amount due from an associate

	2018 RMB'000	2017 RMB'000
Hubei Zhongjian (trade related)	**11,257**	6,153

The amount as at 31 December 2018 and 2017 was unsecured, non-interest bearing and aged within the credit term of 90 days.

(b) Amount due from a joint venture

	2018 RMB'000	2017 RMB'000
Hubei Xinlongyuan		
– trade related *(note 1)*	**–**	10,781
– non-trade related *(note 2)*	**24,535**	38,500
	24,535	49,281

Notes:

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

2 *The amount as at 31 December 2018 was unsecured, interest-bearing at 4.57% per annum and repayable on demand (2017: unsecured, non-interest bearing and repayable on demand).*

(c) Amounts due to joint ventures

	2018 RMB'000	2017 RMB'000
Wuhan Asia (trade related)	**15,144**	15,417
Hubei Xinlongyuan (trade related)	**206**	8,799
	15,350	24,216

The amounts as at 31 December 2018 and 2017 were unsecured, non-interest bearing and aged within the credit term of 90 days.

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

(d) Loans to related companies

	2018 RMB'000	2017 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	**431,900**	431,900
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	**114,699**	114,699
	546,599	546,599

On 1 April 2017, the Company agreed to make available an aggregate principal sum of RMB205,000,000 (the "Loan 1") to FENC, of which the whole balance have been drawn down by FENC on 9 May 2017. According to the terms of the loan agreement, (i) the Loan 1 principal amount of RMB205,000,000 shall be repaid in full on or before 8 May 2018 (the "Repayment Date 1"); or (ii) FENC may repay the Loan 1 or any part of the Loan 1 at any time before the Repayment Date 1. The Loan 1 was interest free. On 3 May 2018, FENC repaid the Loan 1.

On 1 April 2017, the Company agreed to make available an aggregate principal sum of RMB7,800,000 (the "Loan 2") to FENC, of which the whole balance have been drawn down by FENC on 12 May 2017. According to the terms of the loan agreement, (i) the Loan 2 principal amount of RMB7,800,000 shall be repaid in full on or before 11 May 2018 (the "Repayment Date 2"); or (ii) FENC may repay the Loan 2 or any part of the Loan 2 at any time before the Repayment Date 2. The Loan 2 was interest free. On 8 May 2018, FENC repaid the Loan 2.

On 18 October 2017, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 3") to FENC, of which the whole balance have been drawn down by FENC on 20 November 2017. According to the terms of the loan agreement, (i) the Loan 3 principal amount of RMB219,100,000 shall be repaid in full on or before 19 November 2018 (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 3 was interest free. On 16 November 2018, FENC repaid the Loan 3.

On 3 May 2018, 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 3 May 2018. 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 2 May 2019 (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 4 was interest free. On 22 February 2019, FENC early repaid the Loan 4.

On 8 May 2018, the Company agreed to make available an aggregate principal sum of RMB7,800,000 (the "Loan 5") to FENC, of which the whole balance have been drawn down by FENC on 8 May 2018. According to the terms of the loan agreement, (i) the Loan 5 principal amount of RMB7,800,000 shall be repaid in full on or before 7 May 2019 (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 5 was interest free. On 27 February 2019, FENC early repaid the Loan 5.

On 16 November 2018, the Company agreed to make available an aggregate principal sum of RMB219,100,000 (the "Loan 6") to FENC, of which the whole balance have been drawn down by FENC on 16 November 2018. According to the terms of the loan agreement, (i) the Loan 6 principal amount of RMB219,100,000 shall be repaid in full on or before 15 November 2019 (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 6 was interest free. On 22 February 2019, FENC early repaid part of the loan of RMB178,701,000.

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

(d) Loans to related companies (continued)

Pursuant to a loan agreement, the Company agreed to make available an aggregate principal sum of RMB45,000,000 (the "Loan 7") to Yuan Ding on 24 November 2016, of which part of the balance have been drawn down by Yuan Ding on 18 January 2017. According to the terms of the loan agreement, (i) the Loan 7 principal amount of RMB44,699,000 shall be repaid in full on or before 17 January 2018 (the "Repayment Date 7"); or (ii) Yuan Ding may repay the Loan 7 at a time later than the Repayment Date 7, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 7 or any part of the Loan 7 at any time before the Repayment Date 7. The Loan 7 was interest free. On 17 January 2018, Yuan Ding repaid the Loan 7.

On 1 December 2016, the Company agreed to make available an aggregate principal sum of RMB70,000,000 (the "Loan 8") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 23 January 2017. According to the terms of the loan agreement, (i) the Loan 8 principal amount of RMB70,000,000 shall be repaid in full on or before 24 January 2018 (the "Repayment Date 8"); or (ii) Yuan Ding may repay the Loan 8 at a time later than the Repayment Date 8, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 8 or any part of the Loan 8 at any time before the Repayment Date 8. The Loan 8 was interest free. On 23 January 2018, Yuan Ding repaid the Loan 8.

On 19 December 2017 the Company agreed to make available an aggregate principal sum of RMB44,699,000 (the "Loan 9") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 16 January 2018. According to the terms of the loan agreement, (i) the Loan 9 principal amount of RMB44,699,000 shall be repaid in full on or before 15 January 2019 (the "Repayment Date 9"); or (ii) Yuan Ding may repay the Loan 14 at a time later than the Repayment Date 9, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 9 or any part of the Loan 9 at any time before the Repayment Date 9. The Loan 9 was interest free. On 11 January 2019, Yuan Ding repaid the Loan 9.

On 23 January 2018, the Company agreed to make available an aggregate principal sum of RMB70,000,000 (the "Loan 10") to Yuan Ding, of which the whole balance have been drawn down by Yuan Ding on 23 January 2018. According to the terms of the loan agreement, (i) the Loan 10 principal amount of RMB70,000,000 shall be repaid in full on or before 22 January 2019 (the "Repayment Date 10"); or (ii) Yuan Ding may repay the Loan 10 at a time later than the Repayment Date 10, subject to the consent from the Company; or (iii) Yuan Ding may repay the Loan 10 or any part of the Loan 10 at any time before the Repayment Date 10. The Loan 10 was interest free. On 16 January 2019, Yuan Ding repaid the Loan 10.

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

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

26. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 2.03% (2017: 0.01% to 1.96%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB4,030,773,000 (2017: RMB319,518,000) and approximately RMB977,408,000 (2017: RMB656,751,000), respectively.

Under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which are restricted for withdrawal, as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2017, RMB30,410,000 in its own bank account has been restricted for this purpose. 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 of the Company expected the restoration work to be carried out and completed after the expiry of the respective mining rights, which was over one year. Thus the above restricted bank deposits are classified as non-current assets. In 2018, the restoration work were early completed and accepted by the Ministry of Land and Resources of the People's Republic of China. The whole amount of restricted bank deposits were released.

During the year, the Group entered into a long term supply contract with China Railway Material Group Co., Ltd. According to the agreement, the Group is required to place RMB1,421,000 restricted bank deposit in its own bank account. The deposit will become mature in 2020. Thus, it is classified as non-current assets.

As at 31 December 2018, the remaining deposits in its own bank account amounting to RMB6,456,000 (2017: RMB6,548,000) have been restricted by banks for withdrawal as overseas purchase security which will be released within one year and therefore are classified as current assets.

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

	2018 **RMB'000**	2017 RMB'000
Denominated in United States dollars ("USD")	**3,012,934**	21,203
Denominated in Hong Kong dollars ("HKD")	**40**	1,526
Denominated in Singapore dollars ("SGD")	**608**	844

27. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**392,771**	381,133
Accruals	**147,326**	107,898
Advances from customers	**–**	141,605
Staff wages and welfare payable	**81,121**	62,080
Value added tax payable	**157,644**	132,621
Construction cost payable	**16,026**	26,246
Other taxes payable	**19,056**	15,998
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**101,578**	70,829
	988,260	1,011,148

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

	2018 RMB'000	2017 RMB'000
0–90 days	**361,572**	349,918
91–180 days	**11,431**	9,768
181–365 days	**3,909**	7,556
Over 365 days	**15,859**	13,891
	392,771	381,133

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

28. CONTRACT LIABILITIES

	31/12/2018 RMB'000	1/1/2018* RMB'000
Receipt in advance of delivery for sales of cement products and related products	**130,027**	133,892
Receipt in advance for sales of concrete	**6,328**	7,713
	136,355	141,605

* *The amounts in this column are after the adjustments from the application of IFRS 15.*

28. CONTRACT LIABILITIES (continued)

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

	Sales of cement products and related products RMB'000	Sales of concrete RMB'000	Total RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	133,892	7,713	141,605

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

Advance from customers

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

29. BORROWINGS

	2018 RMB'000	2017 RMB'000
Bank borrowings – unsecured	**6,630,144**	4,903,359

The carrying amounts of borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**2,475,485**	2,991,361
Within a period of more than one year but not exceeding two years	**4,154,659**	1,911,998
	6,630,144	4,903,359
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(2,475,485)**	(2,991,361)
Amounts due for settlement after 12 months	**4,154,659**	1,911,998

29. BORROWINGS (continued)

The borrowings carrying variable interest rates with reference to the Benchmark Interest Rate ("Benchmark Rate") or Hong Kong Interbank Offered Rate ("HIBOR") for RMB borrowings and the London Interbank Offered Rate ("LIBOR") for USD borrowings (2017: Benchmark Rate or HIBOR for RMB borrowings) are as follows:

	2018		2017	
	Carrying amount RMB'000	**Interest rates**	Carrying amount RMB'000	Interest rates
Fixed-rate RMB borrowings	**129,550**	**3.92% to 4.35%**	–	N/A
Variable-rate RMB borrowings	**3,477,354**	**90% to 100% of Benchmark Rate or HIBOR plus margin 0.70% to 1.10%**	4,903,359	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%
Variable-rate USD borrowings	**3,023,240**	**LIBOR plus margin of 0.70% to 1.35%**	–	N/A
	6,630,144		4,903,359	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 2.60% to 5.50% (2017: 4.13% to 5.70%) per annum.

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

	2018 RMB'000	2017 RMB'000
USD	**3,023,240**	–

30. DEFERRED TAX

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**72,615**	57,474
Deferred tax liabilities	**(38,783)**	(25,636)
	33,832	31,838

30. DEFERRED TAX (continued)

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 2017	(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
Withholding tax paid	–	–	–	–	31,522	–	31,522
Credit (charge) to profit or loss	837	221	6,561	2,385	(45,569)	6,037	(29,528)
At 31 December 2018	**(16,099)**	**(1,906)**	**45,527**	**6,413**	**(22,684)**	**22,581**	**33,832**

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

At 31 December 2018, the Group has unused tax losses of approximately RMB124,029,000 (2017: RMB201,628,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB23,300,000 (2017: RMB16,112,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB100,729,000 (2017: RMB185,516,000) due to the unpredictability of future profit stream. The unused tax losses will be expired as follows:

	2018 RMB'000	2017 RMB'000
2018	**–**	5,589
2019	**9,340**	10,089
2020	**27,654**	33,838
2021	**33,979**	130,233
2022	**20,720**	21,879
2023	**32,336**	–
	124,029	201,628

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 2018, deferred tax liability has been provided in respect of RMB453,680,000 (2017: RMB172,740,000) 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 2018, 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 RMB7,457,441,000 (2017: RMB5,485,000,000), RMB45,290,000 (2017: RMB38,180,000) and RMB9,750,000 (2017: RMB9,025,000), respectively.

31. LONG TERM PREPAID RENTAL

	2018 RMB'000	2017 RMB'000
Prepaid rental to		
Yangzhou No. 2 Power Plant Company Limited (the "Yangzhou No. 2 Power Plant") *(note a)*	–	134
Taizhou Yongan Port Co., Ltd. *(note b)*	**22,000**	24,000
	22,000	24,134
Less: Amounts due within one year (included in trade and other receivables)	**(2,000)**	(2,134)
Amounts due after one year	**20,000**	22,000

Notes:

a. *In June 2010, in order to secure the exclusive use of the extended port in Yangzhou, Jiangsu province of the PRC, Yangzhou Ya dong Cement Co. Ltd. ("Yangzhou Ya dong"), 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 Ya dong 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 Ya dong 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, RMB0.1 million (2017: RMB3.3 million) has been utilised through offsetting the rental expenses and there is no outstanding prepaid balance as at 31 December 2018 (2017: RMB0.1 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. According to the agreement, Taizhou Yongan Port Co., Ltd will repay the amount through the deduction of rental expenses of RMB2 million each year incurred by Oriental Holding (or its designated associate) in its port. The lease for the port was negotiated for a term of 20 years and will be unconditionally renewed for another 20 years.*

   As at 31 December 2018, the outstanding prepaid balance is RMB22 million (2017: RMB24 million).

32. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
Balance at 1 January 2017	22,551
Provision for the year	4,219
Balance at 31 December 2017	26,770
Provision for the year	4,508
Balance at 31 December 2018	31,278

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

33. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,566,851,000	156,685	140,390

34. OPERATING LEASES

The Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**27,918**	13,066
Contingent rents paid/payable under operating leases during the year *(note)*	**12,530**	5,607
	40,448	18,673

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:

	2018 RMB'000	2017 RMB'000
Within one year	**22,463**	28,824
In the second to fifth years inclusive	**85,320**	87,868
After five years	**515,986**	565,073
	623,769	681,765

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.

The Group as lessor

Gross rental income earned was RMB10,706,000 and RMB11,181,000 for the years ended 31 December 2018 and 2017, 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:

	2018 RMB'000	2017 RMB'000
Within one year	**617**	431
In the second to fifth years inclusive	**1,824**	1,625
	2,441	2,056

35. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**17,361**	9,625
Mining rights	**204**	512
Capital expenditure in respect of establishment of a joint venture *(Note)*	**500,000**	500,000
	517,565	510,137

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% ("2013 Agreement"). On 8 October 2018, a new agreement was entered into FENC, Oriental Industrial Holdings Pte, Ltd. ("Oriental Holdings", a wholly-owned subsidiary of the Company) and another company ("2018 Agreement") to replace 2013 Agreement. In accordance with 2018 Agreement, Oriental Holdings injected RMB500 million to Yuan Ding on 18 February 2019.

36. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

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

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,549,000). For the years ended 31 December 2018 and 2017, no options remained outstanding under Pre-IPO Share Option Scheme.

36. SHARE BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme

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

As at 31 December 2018 and 2017, no options have been granted under the Share Option Scheme.

Equity-linked agreements

The company and its subsidiaries have no share option schemes after 27 April 2018.

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2018 and the Company did not enter into any equity-linked agreements during the year under reviews.

37. RETIREMENT BENEFITS SCHEME

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

The total expense charged to profit or loss of approximately RMB29,930,000 (2017: approximately RMB30,736,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2018, contributions of RMB1,312,000 (2017: RMB1,255,000) as at 31 December 2018 have not been paid over to the schemes.

38. RELATED PARTY DISCLOSURES

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

	2018 RMB'000	2017 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**121,332**	96,118
Hubei Xinlongyuan		
– Purchase of goods	**20,964**	9,604
– Interest income	**1,594**	–
Associate:		
Hubei Zhongjian		
– Sales of goods	**21,455**	10,297
– Transportation expenses	**1,286**	–
Ultimate holding company:		
Asia Cement Corporation		
– Sales of goods	**54,200**	35,827

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**6,594**	6,469

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

39. CAPITAL RISK MANAGEMENT

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

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

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

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
At amortised cost	**9,388,165**	–
Loans and receivables (including cash and cash equivalents)	**–**	4,203,916
Financial liabilities		
Amortised cost	**7,328,784**	5,556,599

b. Financial risk management objectives and policies

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

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks

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

(i) Currency risk

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

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2017: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthened 10% (2017: 10%) against the relevant currency. For a 10% (2017: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit post-tax and the balances below would be negative.

	Impact of USD		Impact of HKD		Impact of SGD	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**1,085**	(1,760)	**(4)**	(153)	**(50)**	(69)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (note 26). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 26), restricted bank deposits (note 26) variable-rate bank borrowings (note 29). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Rate, LIBOR or HIBOR (2017: Benchmark Rate or HIBOR) arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Interest rate risk (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	2018 RMB'000	2017 RMB'000
Interest income		
Financial assets at amortised cost	**39,499**	N/A
Interest income		
Loans and receivables (including bank balances and cash)	**N/A**	8,456

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost	**244,450**	275,388

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease in variable-rate bank balances and a 50 basis points (2017: 50 basis points) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances

If interest rate had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2018 would increase/decrease by approximately RMB3,990,000 (2017:RMB2,539,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Borrowings

If interest rate had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2018 would decrease/increase by approximately RMB32,328,000 (2017:RMB22,969,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings balances.

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

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with trade receivables is mitigated because they are secured over properties.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group has applied the simplified approach in IFRS 9 (2017: incurred loss model) to measure the credit loss allowance at lifetime ECL. Except for trade receivables with significant outstanding and special credit risk balances which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bills receivables arising from contracts with customers

The credit risk on bills receivables is minimal since the settlement parties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other receivables

The Group has taken into account the financial position of the counterparties, based on the track record of regular settlements, the amounts are expected to be recoverable and the expected credit losses on other receivables are considered to be insignificant.

Loans to related companies/amount due from an associate and a joint venture

No allowances for credit losses was made to these balances since the Group consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposits/bank balances and cash

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

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances and special credit risk with gross carrying amounts of approximately RMB265,200,000 as at 31 December 2018 were assessed individually.

Gross carrying amount

	Average loss rate	Trade receivables RMB'000
0–90 days	4%	562,375
91–180 days	6%	254,948
181–365 days	21%	112,221
Over 365 days	57%	78,775
		1,008,319

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided RMB106,259,000 impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB82,158,000 was made on debtors with significant balances and special credit risk.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December 2017 under IAS 39	–	162,179	162,179
Adjustment upon application of IFRS 9	–	–	–
As at 1 January 2018 – As restated	–	162,179	162,179
Impairment loss recognised	78,405	–	78,405
Impairment loss reversed	–	(52,162)	(52,162)
Write-off	–	(5)	(5)
As at 31 December 2018	78,405	110,012	188,417

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2018 RMB'000
2018							
Trade and other payables	–	683,290	–	–	–	683,290	683,290
Amounts due to joint ventures	–	15,350	–	–	–	15,350	15,350
Variable interest rate borrowings	4.47	692,203	1,829,007	4,410,174	–	6,931,384	6,630,144
		1,390,843	1,829,007	4,410,174	–	7,630,024	7,328,784

	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
Amount due to a joint venture	–	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

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.

41. GOVERNMENT GRANT INCOME

	2018 RMB'000	2017 RMB'000
Incentive subsidies *(note a)*	**3,710**	2,654
Value-added tax refund *(note b)*	**87,682**	64,719
Others *(note c)*	**3,225**	4,554
	94,617	71,927

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 consumed reusable materials. It was granted when the total reusable materials consumed were more than 20% or 40% of the total materials consumed for production. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval being obtained from the relevant PRC authority.*

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

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.

	Borrowings *(note 29)* RMB'000	Dividend payable RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2018	**4,903,359**	**–**	**–**	**4,903,359**
Interest expenses *(note 9)*	**–**	**–**	**244,450**	**244,450**
Dividend declared	**–**	**268,828**	**–**	**268,828**
Financing cash flow	**1,726,785**	**(268,828)**	**(226,152)**	**1,231,805**
At 31 December 2018	**6,630,144**	**–**	**18,298**	**6,648,442**
At 1 January 2017	5,191,497	–	–	5,191,497
Interest expenses *(note 9)*	–	–	275,388	275,388
Dividend declared	–	60,967	–	60,967
Financing cash flow	(288,138)	(60,967)	(275,388)	(624,493)
At 31 December 2017	4,903,359	–	–	4,903,359

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 2018	2017	Proportion of voting power held by the company 2018	2017	Principal activities
*Perfect Industrial Holdings Pte., Ltd. ("Perfect Industrial")	British Virgin Islands	Ordinary	US$9,379,303	**100%**	100%	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$764,262,651	**99.99%**	99.99%	**100%**	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	**99.99%**	99.99%	**100%**	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$356,104,433	**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	US$36,140,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd.[1]	PRC	Ordinary	RMB12,500,000	**97.39%**	97.39%	**100%**	100%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd. ("Shanghai Yafu")	PRC	Ordinary	RMB21,000,000	**–** *(note 44)*	99.99%	**–** *(note 44)*	100%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$130,407,000	**99.99%**	99.99%	**100%**	100%	Investment holding

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 2018	2017	Proportion of voting power held by the company 2018	2017	Principal activities
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	**94.99%**	94.99%	**100%**	100%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	**72.49%**	72.49%	**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	US$154,800,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$368,340,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$4,100,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	US$86,170,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd.[2]	PRC	Ordinary	RMB13,000,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd.[2]	PRC	Ordinary	US$3,500,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services

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 2018	2017	Proportion of voting power held by the company 2018	2017	Principal activities
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$35,530,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
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 subsidiary is directly held by the Company and the remaining subsidiaries are held by Perfect Industrial.*

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

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	
		2018	2017	2018	2017	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	5%	5%	8%	8%	67,465	30,615	270,265	226,891
Individually immaterial subsidiaries with non-controlling interests						12,486	3,211	84,172	73,561
						79,951	33,826	354,437	300,452

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.

	2018 RMB'000	2017 RMB'000
Current assets	2,898,171	2,283,572
Non-current assets	3,291,295	3,559,485
Current liabilities	(765,689)	(1,289,174)
Non-current liabilities	(18,475)	(16,068)
Equity attributable to owners of the Company	5,134,037	4,310,924
Non-controlling interests	270,265	226,891
Revenue	4,942,539	3,521,660
Expenses	(3,593,226)	(2,909,376)
Profit for the year	1,349,313	612,284
Profit attributable to owners of the Company	1,281,848	581,669
Profit attributable to the non-controlling interests	67,465	30,615
Dividends paid to non-controlling interests	24,091	11,861
Net cash inflow from operating activities	1,515,522	406,063
Net cash (outflow) inflow from investing activities	(469,884)	133,469
Net cash outflow from financing activities	(1,094,597)	(425,990)
Net cash (outflow) inflow	(48,959)	113,542

44. DISPOSAL OF A SUBSIDIARY

On 26 July 2018, the Group entered into a sale agreement to dispose of a non-wholly owned subsidiary, Shanghai Yafu, which carried out the Group's manufacturing and sales of concrete to an independent third party at a consideration of approximately RMB29,421,000. The disposal was completed on the same date which control of Shanghai Yafu passed to the acquirer.

The net assets of Shanghai Yafu at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	1,750
Other receivables	300
Bank balances and cash	18,591
Other payables and accruals	(271)
	20,370
Gain on disposal recognised in profit or loss	9,051
Cash consideration	29,421

	RMB'000
Net cash inflow arising on disposal	
Cash consideration	29,421
Less: bank balances and cash disposed of	(18,591)
	10,830

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**7,731,182**	7,731,182
CURRENT ASSETS		
Amounts due from subsidiaries	**546,599**	546,599
Interest receivables	**25,524**	–
Bank balances and cash	**3,018,737**	4,646
	3,590,860	551,245
CURRENT LIABILITIES		
Borrowings	**2,205,935**	1,534,772
Other payables	**18,126**	12,918
	2,224,061	1,547,690
NET CURRENT ASSETS (LIABILITIES)	**1,366,799**	(996,445)
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,097,981**	6,734,737
NON-CURRENT LIABILITIES		
Borrowings	**4,154,659**	1,911,998
NET ASSETS	**4,943,322**	4,822,739
CAPITAL AND RESERVES		
Share capital *(note 33)*	**140,390**	140,390
Reserves	**4,802,932**	4,682,349
TOTAL EQUITY	**4,943,322**	4,822,739

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000 *(note a)*	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	3,353,463	2,073,316	(735,215)	4,691,564
Profits for the year and total comprehensive income for the year	–	–	37,791	37,791
Dividends recognised as distribution *(note 13)*	(47,006)	–	–	(47,006)
At 31 December 2017	3,306,457	2,073,316	(697,424)	4,682,349
Profits for the year and total comprehensive income for the year	–	–	363,445	363,445
Dividends recognised as distribution *(note 13)*	(242,862)	–	–	(242,862)
At 31 December 2018	3,063,595	2,073,316	(333,979)	4,802,932

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

46. EVENT AFTER THE REPORTING PERIOD

On 18 February 2019, the Group had been injected an amount of RMB500 million into Yuan Ding, which represents the 40% equity interest of Yuan Ding.

Financial Summary

RESULTS

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	8,193,716	6,391,165	6,338,152	7,815,527	**11,330,347**
Profit (loss) before tax	1,091,108	(247,335)	330,322	984,830	**3,383,150**
Income tax expense	(278,128)	(45,375)	(179,364)	(348,627)	**(882,360)**
Profit (loss) for the year	812,980	(292,710)	150,958	636,203	**2,500,790**
Attributable to:					
Owners of the Company	790,313	(299,123)	133,562	602,377	**2,420,839**
Non-controlling interests	22,667	6,413	17,396	33,826	**79,951**
	812,980	(292,710)	150,958	636,203	**2,500,790**

ASSETS AND LIABILITIES

	At 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	20,022,989	17,627,180	15,902,155	16,409,987	**20,722,346**
Total liabilities	9,917,855	8,056,254	6,267,007	6,199,603	**8,280,000**
	10,105,134	9,570,926	9,635,148	10,210,384	**12,442,346**
Equity attributable to:					
Owners of the Company	9,830,617	9,299,342	9,354,561	9,909,932	**12,087,909**
Non-controlling interests	274,517	271,584	280,587	300,452	**354,437**
	10,105,134	9,570,926	9,635,148	10,210,384	**12,442,346**